Published under the auspices of the

National Retail Dry Goods Association



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THE
MERCHANTS' MANUAL

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THE MERCHANTS' MANUAL

Published under the auspices of

THE NATIONAL RETAIL DRY GOODS ASSOCIATION

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TO THE RETAILER

WHO RECOGNIZES THE OBLIGATION

TO IMPROVE THE PROCESSES OF RETAIL DISTRIBUTION

AND STRIVES TO THAT END

THIS BOOK IS DEDICATED

PREFACE

The average merchant is like a musician who plays by ear. He has a quick perception of rhythm, and of melody and harmony. He can execute with excellent precision, and his technique often has more touch of genius than that of the more academic virtuoso.

Yet few would deny the advisability of learning to play from notes—if notes are to be had. They permit an accuracy of detail, a standardization, an ease and certainty and speed of reproduction unattainable in any other manner.

The dry goods merchant has been more or less in the dark. He has had to grope. Like the person who plays by ear, he has recognized his discords and mistakes almost intuitively; but it has been, after all, a matter of guesswork.

This book is an attempt to put into writing some of the principles of store operation and management. It is only a beginning and is far from perfect; for the reason that this business has not yet been reduced to a set of standards and rules. Nor is it likely to be—certainly not to the extent that engineering is, for instance.

The book is, nevertheless, modeled somewhat on the engineering handbook, and the editors hope it will fulfil a similar purpose —that of a reference book and guide. It is not infallible, and it will not take the place of brains and initiative. But to the many who need counsel, whose experience is restricted, and who are ambitious, it will at least prove suggestive. The book has, indeed, been brought out in response to an insistent demand from workers of this sort, as well as those in authority.

Since this is the first treatise of its kind, it will undoubtedly be necessary to make revisions, and the editors would appreciate any suggestions or corrections sent in by readers. Any problems which may arise out of a consideration of this manual should be referred to the Bureau of Research and Information of the National Retail Dry Goods Association. As trends and

practices become better defined, it will be possible to be more specific and more explicit than at present.

The dry goods business is now in a state of flux. Probably no one would care to commit himself as to the outcome of present tendencies, significant as they may appear.

What movements will characterize the future of this industry? What factors will predominate? Will the department store, as we know it today, give way to some other medium of retailing, or will it increase in size and strength? What type of organized retailing will take the lead? Will it be the chain of small units, like the Penney organization, or the chain of large units, like the May stores, or the centralized group, like the Affiliated Retail Stores? Or will it be the independent group, unified only in their buying and research functions, like the members of the Retail Research Association?

Forecasts of this sort are not within the scope of this book, but they should engage every merchant's attention. They are fundamental to the welfare of his store and of his people.

There is, however, one tendency which is already crystallizing rapidly enough to be noted. This is the tendency for merchants to cooperate—to work together.

Merchants must help each other. They must lend a hand. Not only has honesty been found the best policy, but generosity has been found just as necessary. For reasons of policy, therefore, if for no others, retailers must combine, that they may give the better service at lower cost which the public, the press, and the government itself are demanding.

This book is but one stone of the thousands which will be needed for completing this edifice of cooperation; and is but one of the many endeavors being made by the National Retail Dry Goods Association toward this end.

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SECTION I

INTRODUCTION

THE MERCHANTS' MANUAL

Chapter I

INTRODUCTION

Modern retailing dates from the period of the American Civil War. The mail order house, the chain store system, the department store, and the specialty store all trace their origin to the general store. In the department store, which is the largest retail unit yet evolved, and the most highly developed, the trend of development and its character have been largely due to the pioneer work of A. T. Stewart, John Wanamaker, Marshall Field, Rowland H. Macy, the Straus family, and other great American merchants.

The dry goods industry has tended constantly towards large-scale ventures because of certain factors, the most important of which are as follows:

1. *Character of the Goods.*—While a department store may sell many lines of merchandise not strictly of a dry goods nature, the bulk of the trading is done in merchandise of this character. Much of this merchandise contains a style element. Nearly all is of a nature which would cause people to come from a distance to purchase. Much of it also consists of allied lines assembled under one roof.

2. *Institutional Character of Dry Goods Stores.*—In nearly every instance, the dry goods store is an integral part of community life. Its appeal is universal and not to any one particular section of the population. The large department stores have become so well known that their reputation extends even beyond the limits of their own market range.

3. *Advertising Policies.*—Dry goods and department stores are advertisers. Not only specific offerings of merchandise

but also publicity of an institutional character have built up a following or clientele.

4. *Service.*—The dry goods and department stores must give services of various kinds to customers.

Merchandising Policies.—The pioneers in the dry goods trade accomplished their success largely by establishing a new code of ethics in dealing with the public. Prior to the early department stores, retail selling had been largely a matter of bargaining between store and customer. The store proprietor set a price which he thought he could get, and this price might not be the same for one customer as for another. There was general distrust on both sides.

In 1865 John Wanamaker advertised "One price and return of goods." A decade or more before this, R. H. Macy had done the same thing, and there may have been other sporadic instances such as that of Strawbridge and Clothier, of Philadelphia, who were leaders in retail reforms. This was literally a revolutionary stand for that time, but the initiation of this policy was based upon the following conclusions:

1. That trading is a science.

2. That trade customs of having asking-and-taking prices, of using false labels, and making misstatements in advertising were bringing up a class of business men who were scuttling the good ships of trade and would sooner or later sweep honorable merchantmen from all mercantile seas.

3. That a radical and immediate change was imperative.

This policy of fair dealing with customers was not adopted immediately and universally, but it was inevitable that it should prevail. The effect was not only visible in the practices of other retailers, but in manufacturing policies as well. Once a store agrees to take back unsatisfactory merchandise, manufacturers must be found whose products are of such high standard that they will not be turned back.

The ethical standards of the trade are well expressed in the Wanamaker guarantee, which reads as follows:

> First—That the prices of our goods shall be as low as the same quality of material and manufacture are sold for anywhere in the United States.
>
> Second—That prices are precisely the same to everybody for same quality, on same day of purchase.

Third—That the quality of goods is as represented on printed labels.

Fourth—That the full amount of cash paid will be refunded, if customers find the articles unsatisfactory, and return them unworn and uninjured within ten days of date of purchase.

The Merchant's Responsibilities.—The merchant's responsibilities are twofold: first, to the public and, second, to his employees. A high standard of ethics in these respects has been found to serve the retailer best.

No other form of business activity touches the general public to the extent that retailing does. Every individual must obtain some, at least, of his requirements through the medium of the retail store. Because of this continuous dependence of the public, a serious obligation rests upon retailers to distribute the necessaries and luxuries of life to their communities, not only in a way satisfactory to their particular class of trade, but also at the minimum charge for such service.

The community rightfully expects of the merchant not only full assortments of merchandise, but the best qualities obtainable for the price asked. In striving for this ideal, the merchant may actually regard a purchase made by a customer as the giving in trust of money to be used in re-purchasing goods for the customer's account. It follows that the greater the volume of purchases made of any merchant, the greater must be the responsibility which he assumes in order to supply the public's wants with timely, satisfactory merchandise, subject to the minimum of overhead expense and the addition of a reasonable profit.

Another obligation assumed by the retailer is that of telling the truth. The careless use of advertising has unfortunately led to a persistent practice of exaggeration and even of misstatement. Advertising which does not tell the truth, whatever its effect upon the immediate volume of sales, is a bad investment. Misstatement by word of mouth may, perhaps, be corrected, but a false statement printed in conjunction with the merchant's name can never be recalled.

Another obligation which retailers are beginning to accept in the proper spirit is that towards employees. This is particularly true of the department store, which often houses

under one roof many hundreds of employees. The policy of the modern store is to establish a minimum wage for its own employees, to hire the best workers to be found, and, by a liberal and scientifically arranged course of training, to increase the individual's earning capacity as rapidly as possible.

If the store is to go on year after year increasing its volume of business, widening its circle of influence, establishing more solidly its place as an institution in the community, that result can be obtained only by having every employee progressing and cooperating all the time.

Limitations on Responsibilities.—Although it should serve the greatest good of the greatest number, business cannot be conducted as a philanthropic enterprise. The merchant must always be guided by cost. He must examine even his responsibilities in the light of cost. If, for instance, costs of service to employees mount too high, such as giving too much training for the community to afford, or giving too much service to the public, the merchant will soon find his store losing ground, either to some other competitor with more mercenary motives, or to some other medium of retailing, such as the chain store or the mail order house. In other words, the merchant is constantly confronted with the limitation of cost.

Other limitations on responsibilities are those imposed by law. The department store, as well as other retailers, is guided by legal restrictions, both in its dealings with the public and with its own employees. The business man must realize that the government will not let business alone. His attitude should be one of willingness to cooperate with the government whenever cooperation is necessary, although he can hardly be expected to invite regulation, either from the federal government, his state legislature, or the municipal authorities.

Organization and Over-organization.—In order to meet his responsibilities on the one hand, and to cope with increased costs on the other, the merchant has had recourse to the benefits of organization.

The science of organization and the size of the retailing unit have grown with about equal rapidity. Each has fur-

thered the other. Foremost in the ranks of efficiency, of system, of planning, of industrial management and of other modern trends, has been the department store.

This movement may have gone too far in some cases, even to the extent of over-organization. Over-organization means increasing costs instead of decreasing costs. Like the rate of production, there is a law of diminishing returns which affects the organization of a store.

Red tape is a sure sign of over-organization. Top-heaviness in the executive branch, and clumsiness in handling departments, are further evidence. This over-organization leads to a subordination of individual effort and initiative. The store becomes run by routine entirely, and loses ground in consequence.

The framework of the department store has become cast in a representative mold. But other forms of retailing media have shown rapid growth, particularly in the past few decades, despite the fact that they are less well developed. The chain store, the mail order house, the house-to-house canvassing concern, have all taken a share of retail business which is by no means inconsiderable. They compete with the department store on the basis of prices almost entirely. Hence the great importance attached to costs. The department store, which was originally founded as a means of reducing retail distribution costs, has still in its power the ability to effect the same economies which were desirable at the time of its inception.

Retailing as a Science.—It is good business for the merchant to increase his responsibilities, to enlarge his store, and to develop his organization, so long as he keeps his costs at a minimum. This he can do best by reducing his business to a science. The principles of department and dry goods store management, as dictated by best practice, are set forth in this volume.

The large retailing establishment has certain advantages and disadvantages distinguishing it from its smaller brethren. These have been stated succinctly by Fred E. Clark, of Northwestern University:

1. The large merchandising establishment has certain buying advantages, due to its ability to hire specialized and skilled

buyers, and to its buying power, which enables it to require lower prices and superior service from supply houses.

2. When a large part of the operations are mechanical and routine in their nature the large house may gain the economies, from the division of labor and the use of machinery, which are so important in the economy of large-scale manufacture.

3. To the extent that large merchandising establishments must make special efforts to sell their services in order to get volume, they are likely to have higher unit costs for selling than their smaller competitors. The "excessive service" of the large sales organizations must be considered a weakness due to this necessity of getting volume through rendering superior service.

4. Problems of supervision become greater as the establishment increases in size, but these problems become peculiarly difficult when selling is a major activity. This is because, briefly, the human element is more important to selling than to production, and its operations and interactions are not easily routinized. The ordinary methods of controlling routine matters are, consequently, ineffective, or at best, their use becomes more expensive.

5. The balance which determines the relative economy of operation of large and small merchandising would thus seem to turn largely on the extent to which the economies found in operating the routine and mechanical functions of the business, and in purchasing on a large scale, are offset by the increased costs for selling and service, and for the administration thereof, which arise from the need to obtain a large volume of sales.

The human factors involved in retailing prevent it from ever becoming an exact science. Accordingly, the scientific mind will always have to be subordinated to what may be called the business mind. Theory in business is often subjected to practice.

The Costs of Distribution.—There seems to have sprung up in many sections of the country a feeling that the retail distributor is to some degree a parasitic factor. Few people appreciate that production without distribution would be worse than futile, and that production has not served its pur-

pose until distribution has been achieved. Whether distribution is carried on directly by the producer, or is secured through the retailer, it is as necessary as production. It is, in fact, an essential part of production.

It is, perhaps, natural for the public to wish that commodities could go into consumption with no other cost than that of manufacture. But the consumer cannot go directly to the point of production. Even though this were possible, it would be necessary for the producer to maintain an organization for the purpose of meeting the consumer and supplying his wants. This would eventually lead to conditions much less convenient and far more expensive than the present system of distribution.

But it cannot be denied that the cost of distributing commodities has in many cases been excessive. Furthermore, there is great public insistence that these costs be cut down. On such points, the public is rarely wrong. The cost of distribution must be lowered.

One of the best methods of finding means to lower costs is to find out and compare the costs of other merchants. This is being done through cooperative effort. The retail merchant has begun to understand, in a better and broader way, the wisdom of proper relations with his fellow retailers. Not many years ago, the leading retail stores of any American city closely resembled a family of upstarts, each of whom was quite sure of his own superiority to all the others, and none of whom found it fitting to have relations with anyone else.

Today, fortunately, through the spread of the organization idea, retailers have come to realize that most business problems are larger than the demands of their own business. It is often more important to build the prestige of the shopping community than in a narrower and more selfish way to build up only the store itself. It is possible today for the chief retail competitors in any given community to sit down together and discuss business problems in a large way, and still preserve their intense competitive spirit.

This change has been brought about through the formation of retail associations, the local retail trade board, the state merchants' associations, and the national trade associations.

All have contributed greatly to the broader point of view. The holding of conventions at which business problems are discussed and where visiting merchants come in contact with the most progressive minds in their line of business has inculcated a social spirit in men whose interpretation of business had led them formerly to be secretive and strongly individualistic.

But only the beginnings of cooperation have been established. How far the influence of cooperation, organization, and coordination are to be developed in the retail dry goods field is a question which only the future can answer. Few retailers have any clear conception of the tremendous influence retail merchants of the United States could hold and use for the benefit of the whole people if they were thoroughly and effectively organized.

The National Retail Dry Goods Association.—The National Retail Dry Goods Association offers a basis whereby merchants in the dry goods business can cooperate with each other. In surveying, from the inside, the course of organization in the retail dry goods trade, it is apparent that most of the work thus far has been defensive in character. It has been true that this work had to be done. The retailer's position has made him a fair mark for many attacks. His function has been so little understood that legislators, newspapers and consumers almost came to believe that the retailer performed no necessary function in the production of merchandise, but that he has established himself in the course of distribution, and has taken an unfair toll of all which passed through his hands.

Hence it has been necessary for the National Retail Dry Goods Association to devote much of its energies to defensive work. The greatest opportunity for benefits through organization in the retail dry goods trade lies, however, not in defensive work, but in constructive searching for better and more economical methods, in the inculcating and upholding of higher ethical standards, and in the building of better relations, first among retailers themselves, second, between retailer and producer, and third, between retailers and the public.

SECTION II

PHYSICAL FACTORS

CHAPTER II

LOCATION

The Importance of Location.—Location is a major factor in retailing. The new store seeks the most desirable point of retailing vantage. The old store endeavors to capitalize the favorable and to overcome the unfavorable aspects of its present place of business and constantly to weigh the possibilities of a new location. In either case, the merchandising problems connected with the location must be given careful consideration.

No new customer, and few old ones, can be expected to sacrifice personal convenience to patronize a store situated outside of the retail district, unless sufficient inducement is offered. By whatever means this attraction is exerted, the retail store must always conduct its policies in such a way as to overcome the adverse factors caused by any faults in the physical location of the store.

The ordinary problems in location for a store are usually not so much those of finding a new site as those of analyzing the present one in order to discover its strong and its weak points. Hence, if a store is situated outside, or at the edge of, the retail district, and it is necessary by some means to attract attention to itself and to its wares, an accurate knowledge of the population within market range, its habits, its purchasing power, its transportation facilities, etc., will enable that store to base its merchandising plans on a sound foundation.

A large dry goods store, or a department store, is a complicated piece of retail machinery. Once established, it is difficult to move. Thus, the growth of cities and the constant shifting of population may leave it stranded outside the limits of least selling resistance, yet its tremendous drawing power,

intelligently exerted, may for a time at least overcome the adverse factors and make the store a financial success.

To overcome these factors, it is necessary to understand the effect of location on the store and on the customer.

The Retail District.—Each type of retailing has what might be called a 100 per cent location, which may be defined as a site past which the largest number of potential customers pass daily without reference to special attractions offered by the store.

In each city there is a definite retail district, or several retail districts, one of which is the most important, and contains the large department stores, the prominent specialty shops, etc. In the larger suburbs miniature shopping districts are found.

There are two reasons for this grouping of retail activity: In the first place there is the added and combined competition which tends to attract trade, and in the second place there is the convenience of the customer. The dry goods store naturally desires to extend a shopping appeal to the public, and it is a well-recognized attribute of "shopping" that the customer desires to compare values. Hence the great advantage of grouping several stores of one type in the same vicinity. Opportunity to shop is particularly important for the woman customer; not so much so for the man, who is likely to buy at the most convenient place.

The advantage of having stores located close together because of the increased competition lies in the possibility of one store drawing trade from customers who had planned to go directly to one of the competitors. This possibility enhances the importance of the well-arranged and timely window display.

Retail districts rarely remain fixed. There is a definite shifting of business centers all over the country, with such notable exception as Chicago, where the peculiar location of the Loop District has concentrated so much of the business into one center. The possibility of extending the retail district along the Lake front waits upon the initiative of some store ready to undertake the pioneering risk entailed in such

a venture. The physical disadvantages of such a task are, however, sufficient deterrents.

Pioneering, particularly for a dry goods or department store, is dangerous. For one case that proves successful there are many failures. An actual situation in an Eastern city is a well-known example of the difficulties to be overcome in starting a new retail district. Some years ago a group of prominent business men endeavored to establish a new shopping center, some distance from the main retail district. Two hotels and a large, beautiful, eight-story department store were erected. Unable to find a tenant, they opened their own department store, and for a considerable number of years ran the store at a loss. The fault did not lie in the market range but in the superior attractions of the long-established retail district. Women living in the vicinity of the new store would go a mile farther for the privilege of shopping in the established district where there were many stores.

The store was reorganized finally and placed under new management. It was recognized that the store labored under difficulties of location, but by intelligent study of the population and its needs it has progressed rapidly in the past few years, and within a few years more this department store may be able to create a new shopping district in this city.

An important factor in New York City, and also in a number of other large cities, is the creation of a new shopping district due to the location of automobile display rooms. These usually extend somewhat away from the main shopping district along an important avenue of traffic, but in the beginning away from the highest rent district. As soon as a half dozen or more large, progressive automobile concerns are definitely located, a bank is apt to locate in the near vicinity. This is usually a good start, for the public is strongly interested in automobiles and takes readily to visiting such districts, and it becomes only a matter of time until the rest of the city follows. Such a condition may eventually lead to a breaking in the solid ranks of the Loop District in Chicago, as most of the large automobile show-rooms have opened up stores along the Lake front. Boylston Street, Boston, is another example.

Overcoming Defects in Location.—There are various methods of attracting trade out of its accustomed channels, chief among which are publicity, low price, and quality products.

A store which does no advertising requires the best possible location. The moment a store advertises adequately, it starts to overcome defects in location. It attracts customers to its doors who otherwise would not come there. A dry goods store is essentially an advertiser, since so large a portion of its stock consists of shopping lines. As it sells necessities as well, location is exceedingly important.

Low prices will always draw a certain type of trade. Coupled with adequate display it forms a powerful combination, trading as it does on the power inherent in the word "bargain." An established reputation that a certain article can be had for such and such a price at "Smith's" will overcome certain disadvantages due to location.

While there is a class of shoppers who may be termed "bargain hunters," there is another type which always prefers to buy a certain product at a certain place, price being a secondary consideration. Hence the store which carries this product can count on a certain following. A store possessing the exclusive agency of a well-established and favorably known nationally advertised product sometimes has this advantage, although the great increase in nationally advertised lines has operated steadily to remove such advantage, since almost every store can have some competing advertised line.

There are certain locations the defects of which are so great as to be almost insurmountable. An example of this is the store located half-way between the city retail district and the suburban district. Although thousands of people pass it daily, it will be a failure, because it cannot offer sufficient attraction to induce the requisite volume of trade. It does not generally offer that speculative chance for success held out by the pioneering location.

It is generally better to take a site on a side street than to locate upstairs, although this is subject to specific conditions. In no case should a location be decided upon until after a

thorough study of the various points discussed in the following pages.

How to Analyze a Location.—The problem in many surveys of location possibilities is that the owner does not know at the end whether he should take a 100 per cent site at a high rate or a 70 per cent location at a lower rent. Outside of the question of available locations, there are a number of points which will help in making the decision:

1. All sources of information should be tapped.

2. The aid of the Chamber of Commerce should be obtained. All advice should be of a disinterested character.

3. The peculiar characteristics of the dry goods store, whether department store or specialty shop, should be taken into consideration. The cigar store and the drug store must be directly in the traffic stream. Unit purchases are small and rate of turnover high. The dry goods store may prefer to spend money on publicity rather than in extra rent.

A certain section in each city is prominent for its retail establishments. Fifth Avenue and Broadway in New York, Woodward Avenue in Detroit, Washington and Tremont Streets in Boston, Market and Chestnut Streets in Philadelphia, and Euclid Avenue in Cleveland are examples of this tendency.

Physical Factors.—Cities with diversified industries are best for all-around retailing purposes. That is, periods of extreme depression do not affect the buying power of their population so much as they do in cities like Detroit, Pittsburgh, Fall River and Akron, where the conditions in specific industries have so great a direct effect on retail sales.

Stores dealing in men's wear are usually on one side of the street, while stores dealing in women's wear are on the other. In general, the latter type of store is on the side of the street which is shady in the afternoon, because women prefer the shady side, and because it is much easier to display colored fabrics, etc., where the sunshine does not strike. Plate glass becomes a mirror in the direct rays of the sun and window reflections are the bane of many a retailer's existence.

For the location of a store dealing in women's wear, therefore, the west and south sides are more shady and in higher

demand, other things being equal. Some cities have two streets, one for women shoppers and the other for men. In Hartford, for example, Main Street is devoted to women's stores and Asylum Street to men's.

The question of a corner location is difficult to solve. It will depend a great deal upon the increase in rent and the increase in turnover, and whether one balances or outweighs the other. Corner locations are ordinarily esteemed as approximately 30 per cent more valuable than inside locations, due to larger display space, the double traffic stream, and better light inside the store.

The other stores in the immediate surroundings all contribute toward forming the atmosphere of the district. Therefore, in the case of a new location, the environment is important. Vacant buildings denote an unhealthy condition, as desirable sites rarely go long untenanted. The condition of sidewalks, crossings, etc., may be such as to deter or to invite trade, particularly in winter.

The type of stores in the immediate vicinity should be noticed. Department stores, waist and lingerie shops, dry goods, cloaks and suits, five-and-ten-cent stores and moving-picture theaters are usually found in close proximity, and in the majority of cases on the same side of the street, constituting the woman's side.

Accessibility.—The accessibility of a location is generally reckoned by the volume of traffic passing by, both on foot and in the street. The traffic count is valuable where more than one location is being considered, but it is valuable only when taken under similar conditions, at the same hours, and in the same weather.

For a department or dry goods store this traffic analysis is not so worth while as the larger analysis of the market range on which the store can draw. Yet in a way it is exceedingly important, because it indicates the number of potential purchasers. If a traffic analysis is made, it is well to differentiate men and women. The hours at which traffic is heaviest are important as indicating the purpose on which it is bent. Some practically worthless locations are passed by a large number of people on their way to and from work.

A retailer of waists made some conclusions from a traffic survey which are worthy of reproduction as showing the practical value of such statistics:

If on an average 1,200 women pass in an hour, then 10,800 will probably pass in a 9-hour day. One in each 100 is expected to buy an average $3.00 purchase.

One hundred and eight women will buy $324 in a day, or $97,000 worth in the 300 week days plus one-third, or $35,000 worth, on Saturdays, making $132,000 worth gross sales for the year.

Amusement crowds, while not bent on purchasing, are ordinarily good window-shoppers, and good window-shoppers frequently make good customers.

To give an idea of traffic counts in 1921, the following figures are interesting: (Joseph P. Day)

Chicago—State Street, southwest corner of Madison, for a stretch of 16½ hours, 210,000, average of 13,000 per hour, 65 per cent women.

Philadelphia—Chestnut Street and Broad, 5,200 between 2 and 3 p.m.

Detroit—Woodward and Gratiot, 4,100 between 3 and 4 p.m.

Cleveland—Euclid Avenue below Ninth Street, 2,000 (women only) between 2 and 3 p.m.

Boston—Washington Street near Avery, 1,700 (women only) between 4 and 5 p.m.

Volume on Saturdays is usually reckoned at from three to four times that of week days.

In making a traffic count the essential thing to remember is that it is the people who might buy who are important rather than those who pass. Thus a mere count without relation to the motives which actuate the passers-by is of little value.

Parking space for cars has an important effect on the customer in certain lines. Unfortunately, the automobile came after most retail districts were laid out and in few cities are parking regulations such that a woman can leave her car in a convenient place long enough to do her shopping.

The transportation facilities play an important part. The transfer point of a trolley line produces a great deal of traffic.

An entrance to the subway frequently is an attraction, particularly in bad weather. The side of the street on which the car stops is the more valuable. The car line serving the residential district is best, with the occasional exception of the interurban car bringing in its buyers from the outlying districts.

The Buying Public.—Certain factors about the buying public should be carefully studied, and this applies whether the store is about to locate or has already found a location.

1. The buying power of the community.
2. The customs of the people.
3. Competition.

In regard to the purchasing power of the community, the first point to decide is what type of store it will support, and the potential volume of purchases. This can be roughly estimated from the incomes of the people. A man with only $1,000 a year will have little left over after buying the bare necessities of existence. A family with $2,000 will have some money to spend for comforts, while the family with $3,000 can afford certain luxuries. A family with $3,000 is estimated to spend from 12 to 15 per cent of it on wearing apparel. The larger the income, the greater the amount spent for comforts and luxuries. Incomes increase in times of prosperity and decrease in times of industrial depression. The provident dry goods store arranges its offerings accordingly to take advantage of the fluctuations in demand.

The customs of the people as applied to their buying habits play a large part in retailing, particularly in the smaller towns. Conservatism of particular communities necessitates a certain subdued merchandising policy which would be out of place in a more metropolitan locality. Religious customs, racial characteristics, cultural and educational distinctions all play a part in distinguishing the peculiar features of one locality from those of another.

The type of retail store which can advertise with profit, and in this classification the department and dry goods store is easily first, can afford to study carefully the market range, that is, the territory which looks to the particular city in which it is located for shopping purposes. A great part of New England looks to Boston as the center of its shopping activity.

New York City proper draws a great deal of out-of-town trade, not only from immediately contiguous territory, but from distant places. Market zones overlap.

One of the problems which the small town merchant has to face is the attraction of the city store. The interest of the city store lies in extending its market range as far as possible. Thus, to be situated like Syracuse as the focus of a large number of out-of-town electric lines provides a heavier traffic than in Rochester which has a larger population. Indianapolis is noted for its drawing power from the surrounding territory.

Locations and Rentals.—The layout of the retail district is very much the same with some exceptions. There will be a Main Street where the principal retail establishments will locate. According to Ira A. Lurie, manager of the chain stores department of Joseph P. Day, Inc., the man's side of Main Street will rent at $5,000 for a 20-foot store. On the women's side it will be $5,500, and $7,000 or more at the corners.

Specialty shops for exclusive women's wear such as suits, millinery, dresses, and lingerie, will seek out the best cross street without a car line, which will encourage automobile traffic. Rentals will be about 60 per cent of the Main Street locations.

On cross streets with car lines will be second-class shops for both men and women, banks, and office buildings. Although easily accessible, they are out of the high-rent zone.

Towards the railroad station will be the wholesale houses, and along the main highways leading to suburban or neighboring cities and towns are stores for the sale of articles to automobilists. Opposite the station will be quick-purchase shops such as candy, cigar, fruit stores, shoe-shining parlors, newspaper stands, etc.

The location of a dry goods store in a suburb or a small town is not so important as in the case of the city. Many of the same factors apply only to a less marked degree. The greatest difference lies in the fitting of the stock to the local demand. Much of the importance of the location will depend on the existence of a local competitor.

CHAPTER III

STRUCTURE

By E. A. Van Vleck,
Of Starrett and Van Vleck, Store Architects.

The fundamental purpose of a store is to sell goods, not of necessity to present an imposing front. Architectural perfection, while at all times desirable, is important only as it induces trade. Yet the structure of a store is a vital factor in efficient retailing. It is the setting in which all retail activities are carried on. Therefore, not only must it be attractive to customers, but it must also provide for the most practicable handling of traffic, the display of goods, and the comfort of the customer, providing sufficient heat, good ventilation, and adequate lighting.

Despite the most thoughtful planning, it is probable that the majority of store buildings erected to date have proved to possess advantages and disadvantages not realized at the time of erection. A merchant planning to build or alter should, therefore, visit the most modern stores within reach and study the features of their construction. It is only in this way that the ideal store may be erected.

The Exterior.—The exterior of the store represents to the passers-by the character of the retailing activity within. It is an impression contributed to by the store front, the window construction, the entrance or entrances, and the facade. From an advertising and publicity point of view the effect produced should be considered carefully.

Shops should be differentiated from department stores, as the two types require quite different treatment. The department store is necessarily designed to meet the requirements of the many kinds of merchandise sold. The shop, on the other hand, may be specialized and have an individuality

which is more highly distinguished. The imagination may be given more rein in designing the small store than the large.

There are five points to be considered specially in connection with the exterior of the building. These are:

1. Facade
2. Signs
3. The display front
4. Entrances
5. Windows

In the following sections, these five points are taken up in detail.

The Facade.—The facade will reflect the size of the store and the type of retailing activity carried on within. For example, it is not well to treat the store with a frontage of 150 feet the same as one with 25. In the first place, it would be too expensive. In the second place, the appeal is different.

The department store relies for much of its success on the universality of its appeal. For this reason the appearance of the facade must be dignified and in keeping with its surroundings. The specialty shop, on the other hand, can be treated differently, and in accordance with the particular tastes of its customers. The corset shop, for example, may be given a "lady-like" appearance through particularized treatment of the facade.

On frontages where traffic is sufficiently heavy and is of such a nature that an appeal can profitably be made, as much window space should be provided for as is commensurate with structural necessities. The value of show-window display in selling goods is universally recognized.

Signs.—Much thought can profitably be spent on the outside signs because of their undoubted publicity value. Signs, however, must not be sensational. If electric signs are used, they must not mar the architectural effect. In many cases electric signs may be panelled in so as to present an attractive appearance. This has rarely been done, however, and offers good opportunity for a merchant to make his store distinctive.

Briefly, the requisites of a good sign are as follows:

1. It should be equally effective for day or night use, the same sign being made to serve for both purposes.

2. It should be visible for the greatest possible distance. A new customer is often attracted by recognizing a well-known name on a sign perhaps a block away.

3. It should have a dignified and artistic design. It should not cheapen but should enhance the building's appearance.

Small bronze window signs are frequently attractive adjuncts. The larger stores also use bronze tablets at the corners of the building and flanking the entrances.

The Display Front.—Display windows may be on the first floor only, or on both the first and second floors. The width of the street is a determining factor, in narrow streets the second-story display window not being advisable. On streets along which elevated trains or double-decked buses are operated, the second-story window should prove valuable for display space.

Display windows may be divided into units or form one space behind a continuous glass front. Each form has its uses, but the latter type is at a disadvantage in that it is hard to get good groups for display. The unit window is more dignified, and allows more opportunity for the window dressers. It is, therefore, better for the high-grade store. The piers do not necessarily have to be of stone, but may be of structural metal covered with marble or other substance.

If an "island" is used, the design will depend entirely upon the rest of the layout. It is not so often used on corners as on interior locations. When used where the store frontage is limited, it adds materially to the display area. It may also be used to advantage where there is traffic congestion.

In rare cases the climate may have an influence. For example, in St. Paul, Minnesota, outside windows in winter are difficult to use for display purposes, and therefore interior windows must be used.

There are an infinite number of designs for island layouts, the form depending on the frontage, the location, the style of architecture, etc.

Entrances.—It is almost axiomatic that the store entrance should be on a level with the street. This is not only for the comfort of crippled customers, but it is a fact that many individuals, consciously or not, dislike walking up steps, even

though there is but one. Steps frequently are dangerous, especially in wet weather, and may be the cause of many law suits for personal injury.

Doors should open easily, of whatever type of construction. The smaller stores will have the ordinary hinged doors, while the larger stores probably will prefer revolving doors. In any case doorways should not be so narrow as to cause congestion.

The revolving door is considered by many to solve the question of ingress and egress in satisfactory fashion, although the liability risk is somewhat increased. It tends to reduce heating costs by lessening the entrance of cold air. It also makes it more comfortable for employees in the selling departments near the door.

On the other hand many consider the disadvantages of revolving doors serious, and believe that double or (in winter) triple sets of vestibule swinging doors are preferable.

Vestibules should be spacious and convenient. Adequate provision should be made for heating them.

Freight entrances should be located as near the receiving room as possible and easily accessible from the street.

Windows.—In the small shop there are usually two windows, out of which a maximum of display value must be secured. They may be ornamented if desired, with granite, limestone, terra cotta, or marble. The rest of the front material will depend on:

1. Cost.

2. Local conditions, such as proximity to the source of the material. Something will also depend on how clean the town is. In Pittsburgh, for example, the store fronts are practically all of terra cotta because of the smoke.

In the large store the type and size of window construction should coincide closely with the demands of the products to be displayed. If bulky merchandise is to be shown, as is frequently the case in department stores, the windows should be of sufficient depth to permit of adequate display.

Entrances to windows should be made large enough to admit large pieces of furniture. This is essential, even though the

store may not carry these lines, because the display manager will often wish to use furniture in trimming his windows.

Window construction should be watched carefully so that all moisture may be excluded and sudden changes in temperature avoided. This will prevent condensation of moisture on glass and mirrors.

The Interior.—The cumulative effect of the store's exterior should be such as to induce the customer to enter. Once inside the store, the interior arrangement should carry out the favorable impression. Not only should it be carefully arranged and laid out, but color schemes, flooring, ceilings, lighting, and cleanliness all have an influence in creating the proper atmosphere.

Interior decoration of the small store and the large store may show differences due to the fact that the specialization of the small store lends itself to more individual treatment.

Flooring.—Since the ground floor receives far harder wear than other floors, the material of which the flooring is composed should be carefully considered. Much has been said and written concerning the cost and merits of one type of flooring as opposed to another. However, travertine, marble, and tile seem to measure up best to the standards of appearance, durability, non-slipping qualities, and approximate and ultimate cost. The higher initial cost of travertine is overcome by the longer average life.

Wooden floors are difficult to relay or repair and do not, therefore, serve so well for the ground floors where traffic is very heavy. On the upper floors, however, hardwood flooring is widely used in connection with rugs.

The granolithic floor is serviceable and comparatively inexpensive for service departments.

Ceilings and Walls.—Ceilings and walls should be made as simple as possible. If the expense can be afforded, it is a good plan to put in a wainscot to the height of the wall fixtures.

Flat ceilings are ordinarily preferable. Beams should not be in evidence unless it cannot be helped. The flat ceiling makes for better appearance, better ventilation and better light. This does not apply so much to the ground floor, where

more money may be spent and where decorative effects may be used. The use of some insulating material between floors is advisable.

When ornamentation is used, it should not be of a type to collect dust. Capitals on columns, for instance, should be in low relief.

Color schemes should be kept simple so that there will be no clash with merchandise on display. Neutral tints should be favored. Reds, yellows and brilliant colors should be avoided. High gloss on the ceiling is not advisable, although extensively used in the West.

Color effects should be such as to favor the artificial lighting rather than to retard it. The reflecting values of colors and finishes should, therefore, be considered before planning out the color scheme.

Special color schemes may be carried out in certain departments to give specific effects.

Fireproof Construction.—There is little excuse for not equipping the modern building with adequate fire protection. So-called fireproof construction is at best only fire-resistive, but maintenance is less, loss of time in rebuilding is shortened, and the insurance rate on the building and contents is lower.

Three factors are ordinarily responsible for the destruction of "fireproof" buildings, all of which may be guarded against by proper construction and equipments. These are:

1. Inadequate interior fire-fighting equipment.
2. Unprotected floor openings.
3. Unprotected vertical openings.

The installation of a standard automatic sprinkler system is highly advisable in the majority of cases. Such means of prevention afford the greatest possible reductions in insurance, providing the building is of good construction.

The sprinkler system may be either wet or dry. In the first case the supply comes from city pressure and a roof tank. In the second case the water is not admitted to the sprinkler pipes until the fire releases the valve. The dry system should be used only where the system is likely to freeze, as in the case of fur vaults, windows, etc.

Open well holes should be avoided in construction. Al-

though they may be made spectacular in appearance, they are a handicap from any other viewpoint. Insurance rates, for one thing, are increased. The smoke hazard is often worse than the fire hazard, since the majority of fires are put out, while the smoke spreads through the wells to all parts of the store. Furthermore, well holes reduce the value of fire-protective installations, such as enclosing staircases. Open wells also cut up the selling space, and frequently render the access to elevators circuitous and difficult.

Work spaces should be carefully divided from selling spaces by fireproof walls. Self-closing fireproof doors should be provided, as well as emergency exits to permit emptying the store in a minimum of time.

Stairways.—Stairways serve two purposes; first as exits in case of fire, and second as auxiliary service to the elevators. For fire purposes, stairways should almost always be enclosed. As exceptions to this rule may be mentioned stairways to mezzanines; occasionally stairways to bargain basements. Furthermore, monumental stairways to the second floor can sometimes be left open for the architectural effect.

It is good policy to locate the stairways in sections at a distance from the elevator battery. A woman will frequently walk up or down one floor if a stairway is convenient.

In construction, stairways should be attractive, well lighted, and inviting. Large landings of open monumental staircases may be used for displaying merchandise. Displays should be so placed as not to interfere with passage up and down. Where possible, the treads should be not less than 11 inches wide, and risers not more than 7 inches high.

Stairways to the basement will be most frequently used and should be made large enough to accommodate the traffic. Basement stairs may well be divided into two sections, one for down-going and one for up-coming traffic.

Escalators.—Escalators are primarily installed in stores where there is extremely heavy traffic, as the capacity of an escalator is practically unlimited. It handles traffic expeditiously and without congestion.

Whatever type of escalator is used, care should be taken to

see that it is enclosed at top and bottom with wire glass and metal. Escalators should not be placed near elevators.

It is claimed that escalators have a definite display value through the panorama of the store afforded on the ascent or descent.

Elevators.—It is said that the department store uses a wider range of elevator equipment than any other form of enterprise. It employs passenger elevators, service elevators, and freight elevators.

In the older department stores the elevators are found in groups about the store. Careful analysis of store traffic problems, however, showed that one central group, located some distance from the entrances, handles the traffic more satisfactorily and with a smaller number of elevators.

The relation of elevators to entrances is governed by the obvious merchandising reason that customers should be made to walk across the main floor. The same reason would apply to staircases were it not for city ordinances, which demand that stairs discharge in or near streets.

The number of elevator cars will depend on the traffic, the location, and the character of the store. Elevators should be located so as to distribute traffic throughout the store without confusion or congestion and may be grouped against a wall or utility space, with selling space in front.

Wide shallow cars with wide-opening doors are best suited to department store traffic, and permit loading and unloading at maximum speed. Cars should be of such proportion that the width is at least one and three-fifths times the depth, with entrance doors the entire width of the car less 18 inches for the operator. They should be provided with center opening gates and doors. When these are more than 4 feet 6 inches wide, they should be pneumatically or electrically operated, the latter being more desirable if the cost can be afforded.

Passenger elevators range in speed from 200 to 300 feet per minute in the smaller stores to 300 to 450 feet in the larger stores. According to the Sales Service Manager of the Otis Elevator Company, the normal interval between departure of cars from the first floor is from 40 to 50 seconds.

Loading and starting of passenger elevators should be under

the control of an efficient starter. In some cases, to run every car the full length of the shaft is wasteful, and therefore a system of local and express stops may often be inaugurated, varying with the intensity of elevator traffic. Some large concerns operate one battery of elevators up only and the other down only, to avoid confusion.

Service elevators are similar to passenger elevators. In some stores service elevators are used for passenger traffic during certain hours of the day. They should ordinarily be located as near the service entrance as possible.

Freight elevators should be located so that each floor can be served conveniently and without loss of time. To this end, the grouping plan is satisfactory here as well as in the case of the passenger elevators. The type of goods to be handled and the mechanical methods of handling will dictate the freight elevator requirements. If trucks are used for conveying the stock from the receiving room to the various floors, the elevator should be large enough to carry two of them. If four trucks are carried, openings at both sides of the hatchway will facilitate handling.

Lighting.—Illumination should be provided in such a manner as not to be spectacular, with enough light to display merchandise to the best advantage. In handling goods of different character, different light intensities should be used. For example, dark materials absorb much more light than white goods.

The fixtures should be sufficient in size and number to provide the necessary brilliancy without being conspicuous. People should be able to enter and leave the store without having the source of light obtrusively thrust upon their notice.

The lighting installation will vary with the effect desired, the finish of walls and ceiling, the height of the ceiling, and the type of products to be sold. There are many sensible types of lighting fixtures in the direct, semi-indirect, and totally indirect systems. It is necessary to avoid glare resulting in eye strain by some form of diffusing or reflecting equipment. Even lighting is necessary to do away with shadows, and this is secured by symmetrical spacing of the lighting units.

Special types of glass guaranteeing wonderful efficiency or

color value should be avoided, for generally they are of little worth. Technical data referring to installation of lighting systems may be found in the bulletins of the National Lamp Works.

Arrangement of Lighting Units.—The general arrangement of framing and of column spacing will determine to a large degree the lighting arrangement. Outlets should be spaced to give even distribution and no more than are actually necessary to accomplish this should be provided. Innumerable drop fixtures should be avoided. High intensity of light source is undesirable: pleasing lighting is to be obtained through the use of diffusing glass.

The size of lamp to be chosen depends upon the ceiling height, and upon the type of fixture selected. Enclosing units and open reflectors should, as a rule, be suspended as high above the floor as is consistent with good appearance.

Lighting should be controllable from a few points, with an arrangement so that the major portion of the lights may be turned off from the main switchboard, leaving a few well-placed lights for cleaning purposes.

Window Lighting.—The test of a well-lighted window is whether more people are attracted to it at night than during the day. Normally, a display should be more attractive at night because of the contrast of the light within with the darkness without. Display lighting has come to be an art. The display window is a miniature stage in which the products displayed are the properties. While the lighting must attract, it must not distract the attention of the passer-by from the articles on display.

As a general principle, light should never be visible except where lighting fixtures are part of the set. Even in this case, they should not be very bright. The best lighted window is the one where the question of illumination never enters the observer's mind.

Since the initial function of window lighting is to attract attention, the farther the distance from which the window draws observers, the better the illumination. This does not necessarily depend on the strength of the lights. It depends a great deal on circumstances. For instance, the location of the

stores, the lighting methods in adjacent stores, and the lighting on the street itself are all important. The use of colored lighting is often very effective, and can be made to determine the entire atmosphere of the window display.

The possibilities in colored lighting permit different treatment of the various show windows in a single store. For example, in a large department store, color treatment for the various displays will show considerable divergence. For some a pinkish tinge may be used, for others an amber tint, and for still others a light green. For furs, jewelry, shoes and neckties an approximation of daylight permits efficient display.

Lighting producing great shadows should be avoided. For this reason, lights should be provided at the base of the window. Color screens may be used to provide light of even intensity. Spot lights are useful for directing light on a special gown or fixture. A number of small lamps are preferable to one large one giving the same amount of light since they give more even distribution.

Special equipment may be necessary to conceal lighting filaments on corner and island windows.

Show and Wall Case Lighting.—A liberal amount of case illumination is generally provided to help sell merchandise. The better the illumination, the less necessity exists for removing goods from the cases for customers' inspection.

Lighting units should be well concealed, both from the customer and from the clerk who has to face the show-case during the whole day. Small lighting units provide less obstruction to a clear view of the contents of the case. The upper front edge is ordinarily used for lamp and reflector.

On the wall case there is usually a cornice at the top behind which lighting equipment may be hidden.

Heating.—Stores may be heated by steam, hot water or vapor; hot air not being satisfactory except for very small stores. Steam is generally used. A two-pipe system is installed with a vacuum return to relieve air and to insure circulation.

Heating units should be located so as to avoid interfering with store fixtures. The usual place is near doors or windows where cold air enters. In this way a fewer number of units

will give as good service. In some cases heating coils may be placed on top of store fixtures, although the collection of dirt may make this unadvisable.

The heating of the first floor presents the most important problem. If of large area, the indirect system is best. Extraordinary care must also be taken to heat the vestibules, but here the blast system should be used, taking the air from the store and re-heating.

Although a majority of stores still use coal, the use of oil as fuel is increasing rapidly. The economy, of course, is dependent upon nearness to fuel supply. Granted that fuel cost for oil is less or even balances that for coal, the results of a questionnaire sent to over 200 users of fuel oil by the National Retail Dry Goods Association are worthy of note by those who contemplate installing oil-burning equipment.

In all cases there was a saving in labor, one firm reducing the boiler room force from 14 to 5, and eliminating entirely the services of a man and team carting ashes six days a week.

Elimination of dust and ashes resulted in a marked decrease in dust throughout the store.

Heating was much easier to regulate. Fire could be started and put out without the labor required with a coal installation.

Depreciation and repairs were less than with coal, and cost of installation was rapidly saved in the majority of cases. One firm paid for changing systems in seven months through savings in heating cost, while many claimed the original cost had been saved within the first year.

Ventilation.—The ventilation problem is important in connection with heating. Many stores are not ventilated properly and suffer thereby in the estimation of customers and the comfort of the salespeople who are required to breathe the vitiated atmosphere continuously.

When the first floor is heated with temperate air, a suitable apparatus for changing the air (air machine) may be employed. This same system may be used during the summer for control of temperature. As much as a 10-degree drop in temperature has been accomplished. Much dirt is also eliminated by this same method. It is in use successfully in many of the largest stores in the country.

If the basement is used for selling space, its value may be increased by proper ventilation, that is, changing the air from fifteen to twenty times an hour.

Ventilation should be provided for all toilet rooms and locker rooms, except when the latter are provided with extra large interior windows and do not open directly off store spaces.

Plumbing.—Drinking fountains should generally be located near stairs or elevators where they are most convenient for public use. They should also be provided in work rooms and locker rooms.

Clean, wholesome toilet rooms should be provided for employees sufficient to accommodate all without loss of time. One water closet to eighteen persons is the proper ratio, although this ratio is generally determined by law.

Accommodation for the public should be provided in an accessible location. The women's toilet may generally be located near the general rest room, the public telephone, etc.

Hot water should be provided in toilet rooms for convenience of employees and patrons.

Most cities require standpipes in stair halls as being of particular value in fighting adjacent fires.

Electrical Systems, Etc.—Various signal and control systems may be operated electrically throughout the store. Department head and executive call systems with colored lights or numerals, either alone or in addition to an audible call system, are frequently installed.

Electrically operated time clocks are used for employees and prove highly satisfactory. The watchman's clocks are likewise operated on the electrical circuit. Electric fire alarms are also used in the larger stores.

Chutes and conveyors are treated in a subsequent chapter, as are also miscellaneous equipment destined for a particular purpose.

CHAPTER IV

LAYOUT

By C. A. Wheeler, of the Firm of C. A. Wheeler, Inc.,
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The primary matter of importance in any store is how to get the merchandise into the store and, after it is sold, out again. Therefore, ample receiving, opening, checking, and marking-room space must be provided with easy access for incoming merchandise. Communication between receiving room and reserve stocks must be provided for by means of freight elevators, dumbwaiters, or other means of transportation.

After the merchandise is sold, the next problem is to get it into the customers' hands. This means passing it through the delivery room. Again, ample space must be provided for the proper sorting, writing-up, checking and truck space to accommodate the drivers in expeditiously handling their work so as to get their loads properly made up.

When the merchant has tentatively worked out his receiving and delivery room problems, then his next big piece of work is to sell the merchandise, or at least to make provision for selling it.

Factors in Store Layout.—No two stores carry exactly the same lines of goods, nor is the same importance given to the same class of goods in all stores. It is impossible to state dogmatically that such and such articles should be placed in the front, other articles in the rear and still others in the center or upstairs. The customer helps to decide this matter. When a particular class of goods sells poorly, one of the first points to be investigated is its location.

The larger the store the more difficult it is to decide on proper location of departments. The best arrangement will be reached only after experiment.

In laying out a store, the following factors will play an important part:

1. The size of the store.

2. Location. Arrangement in city stores will differ considerably from that in suburban or rural stores. The owner of one store just outside the main shopping district of New York City wisely decided that, while people would make their larger purchases downtown, the strongest point for him would be notions which people would not travel a long distance to get. This plan proved successful.

3. Entrances. The number of entrances and the volume of customers using each will obviously play an important part in layout.

4. Lines of customer traffic. Under ordinary conditions traffic has a tendency to bear to the right, probably the result of our principles of traffic movement in this country. It is possible to offset this tendency by arranging aisles and tables so as to direct people equally in each direction.

5. Type of customers. A store frequented by well-to-do customers not only reflects this in the type of products carried but in store layout. The cheaper grade of stores are arranged to give more complete display of bargain articles.

6. Merchandising and sales policy. There are two distinct policies in store layout. The first and the older theory is to place the quick-selling goods at the front of the store. This naturally results in greater sales of these lines. The second and more modern theory is to place the quick-selling merchandise away from the front of the store so that purchasers will be compelled to circulate through the store. Along the aisles leading to this quick-selling merchandise are placed the non-spontaneous types of goods. In this way, although turnover of quick-selling lines is reduced, turnover in the non-spontaneous lines is increased.

Since the problems of the large store are somewhat different from that of the small store it is best to take them up separately.

Classification of Merchandise.—It is often said that the more logical the classification of merchandise the less likely it is to be practical. The basis of classification in a dry goods

store may be women's against men's and children's wear; fashion wear against staples; exclusive wear against everyday wear; high-priced departments against bargain departments; volume departments against small sale departments, etc.

One of the best starting points is to classify goods according to whether they are impulse, convenience, necessity, utility or luxury articles.

1. Impulse goods are those which are bought because of the attractive display which creates a desire in the mind of the customer or reminds her that she has a need for this article. Toilet goods, men's neckwear and candies all fall in this classification. Obviously departments carrying impulse goods should be located somewhere along the main traffic lanes if they are to get the maximum business possible and maintain a high turnover.

2. Convenience goods have a definite use at a definite time. Umbrellas, for example, are usually purchased during rainy weather and no amount of display or merchandising skill will cause any great amount of buying on any other than a cloudy or rainy day. Convenience goods are generally located just off the traffic routes of the store, yet in such a position that when the occasion arises which will promote their sale they can be easily displayed and seen by prospective customers.

3. Necessities, as the name implies, are bought because they are needed. There is little shopping around for necessities. Consequently, they can be placed on upper floors or in out-of-the-way sections of the store. Shoes, furniture, underwear, etc., fall in this category of articles which the customer will search out.

4. Utility goods are difficult to separate from impulse goods. Tooth paste and talcum powder, and perhaps thread, are often bought because some display calls them to the purchasers' attention. Thus, utility goods, which consist of the smaller personal comfort items, or the smaller items used in the making of useful articles for the home or person, follow the same location rules as impulse goods.

5. Luxury goods are somewhat difficult to define, since they are found in almost every department in the higher price articles. Jewelry and art goods are almost exclusively luxuries.

Here, again, however, there are two subdivisions—small luxuries, such as cheap jewelry bought on the spur of the moment, and luxuries for the home and person which have been carefully planned for. The first group must be on the first floor along a traffic thoroughfare, while the latter may be on an upper floor.

In the arrangement of merchandise it is always the best policy to keep lines of merchandise which are correlated in close proximity to each other. For instance, jewelry, leather goods, umbrellas and kindred novelty merchandise should be in one group. Dressmaking items, such as laces, embroideries, trimmings, etc., should be in another group. It may be wise to keep impulse merchandise towards the front of the store and the staple lines further back.

Grouping of Departments.—Departments are usually grouped along horizontal lines, that is, related lines are grouped as nearly as possible together on the same floor. For example, when a woman goes into a store to buy a dress, she is a potential customer for millinery, corsets, shoes and accessories, and having these departments conveniently near promotes sales.

Dress accessories, notions, buttons, trimmings and all lines pertaining to dress goods, may well be placed together near the piece goods department.

Wm. Filene's Sons Company of Boston have worked out a careful system of vertical grouping as well as horizontal arrangement. For example, the infants' shoe department was placed on the floor below the general shoe department, and the misses' shoe department was also transferred to a different floor. But all shoe departments were placed directly above one another and all conveniently located near a battery of elevators. Signs are displayed prominently in each shoe section telling of the location of the other shoe departments.

A similar plan is followed out for stoutwear sections. For example, on the ready-to-wear floor there is a stout section. On another floor in the same relative position is a section devoted to blouses for stout women. Directly beneath is the section for large-sized corsets, etc. By such an arrangement each floor can be specialized for a particular type of product,

while coördinated lines are arranged according to this vertical arrangement.

The Main Floor Layout.—As a large number of department store customers often never go beyond the first floor, its layout is a matter of primary importance. Next to the window space, the efficient arrangement of the main floor is most effective in making sales. It is only on the main floor and the bargain basement that customers walk up and down the aisles, inspecting merchandise. When a customer takes the elevator, it is for the purpose of finding some specific article.

It is generally considered that there are three important factors affecting merchandise to be displayed on the ground floor: convenience to the customer, size of stock, and appearance.

1. Whatever the customer wants in a hurry should go on the main floor. Similarly, impulse goods should be located here. Men's departments are usually on the ground floor because men will always sacrifice other considerations to convenience of location.

2. The size of the stock has something to do with first-floor location. Furniture, rugs, etc., are too large and demand plenty of floor space. A large stock of a particular article, such as chinaware, sporting goods, etc., also demands a separate department. But there are many articles the size of the stock of which does not warrant separate treatment, and which are of general utility.

3. Since the main floor is the exhibition floor, only articles capable of trim display should be shown.

The following articles are shown by New York stores on their main floors:

Umbrellas, parasols; novelties such as coat hangers, thimbles, shoehorns, etc.; jewelry, combs, silverware and clocks.

Veilings, piece goods, dress goods, patterns, hosiery, laces, trimmings, women's underthings, ribbons, perfumes, ivory wear, toilet articles, shawls and feathers.

Bags of all kinds for money, sewing, or traveling; cutlery of the better kind; gloves, books, stationery and writing materials; men's wear.

Figure 1 shows the main floor layout of the H. and S. Pogue Company, of Cincinnati, Ohio. The original idea had been to draw customers to the rear of the store, where the elevators were banked. Consequently, instead of the one long counter now in front of the elevators, there had been six short counters and cases placed end-on to the elevators with aisles between.

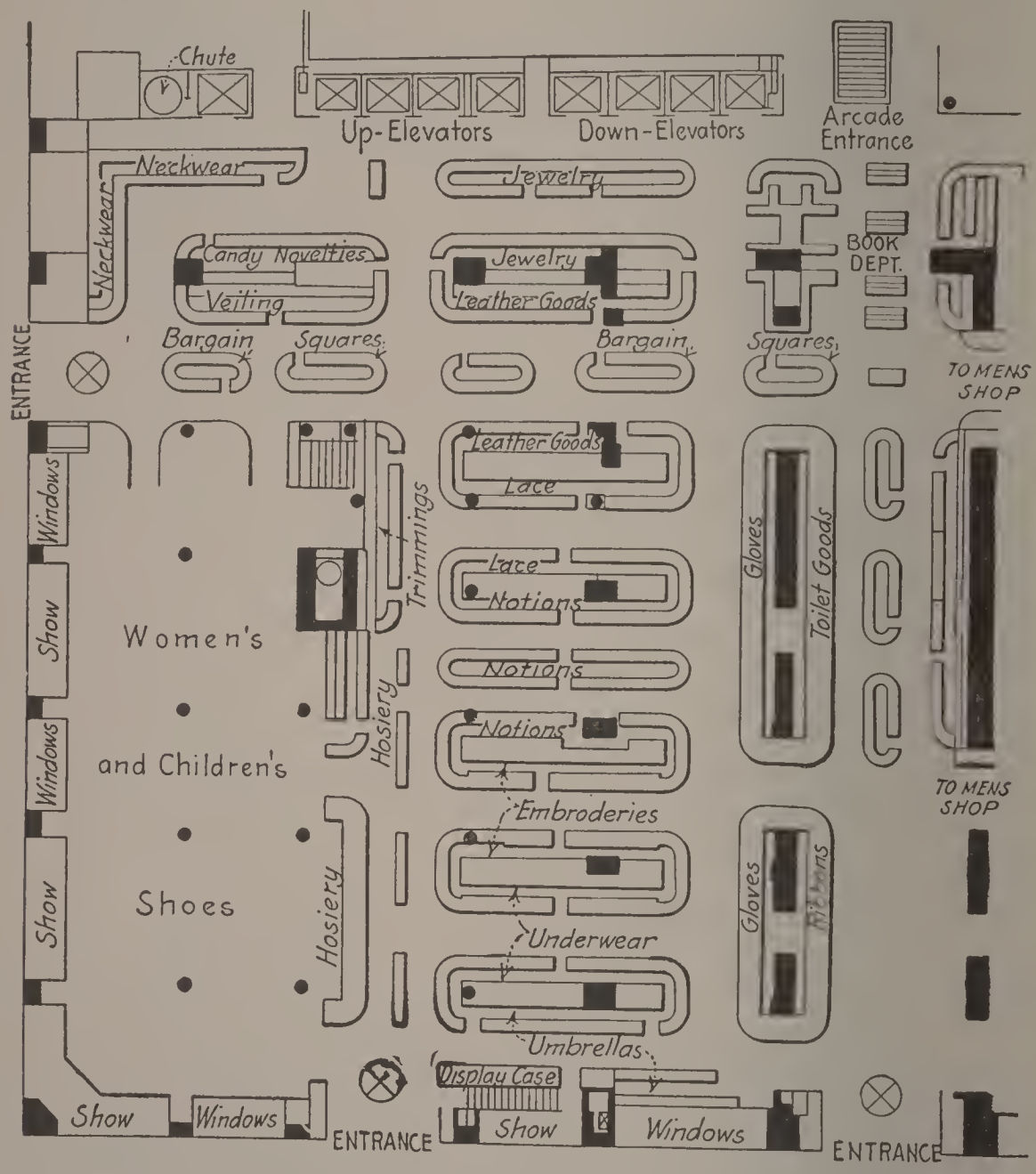


FIG. 1.—Layout of part of main floor of the H. and S. Pogue Company store.

These aisles were always filled with customers waiting for elevators, and the customers desirous of purchasing at the short counters had to struggle through the elevator crowd. In addition, these short counters took a large amount of sales help. A glance at this layout will show how the effort has been made to place analogous stocks in close proximity to each other.

A modern layout for the main floor of a moderate-sized department store is shown in Fig. 2, from the A. M. Jensen

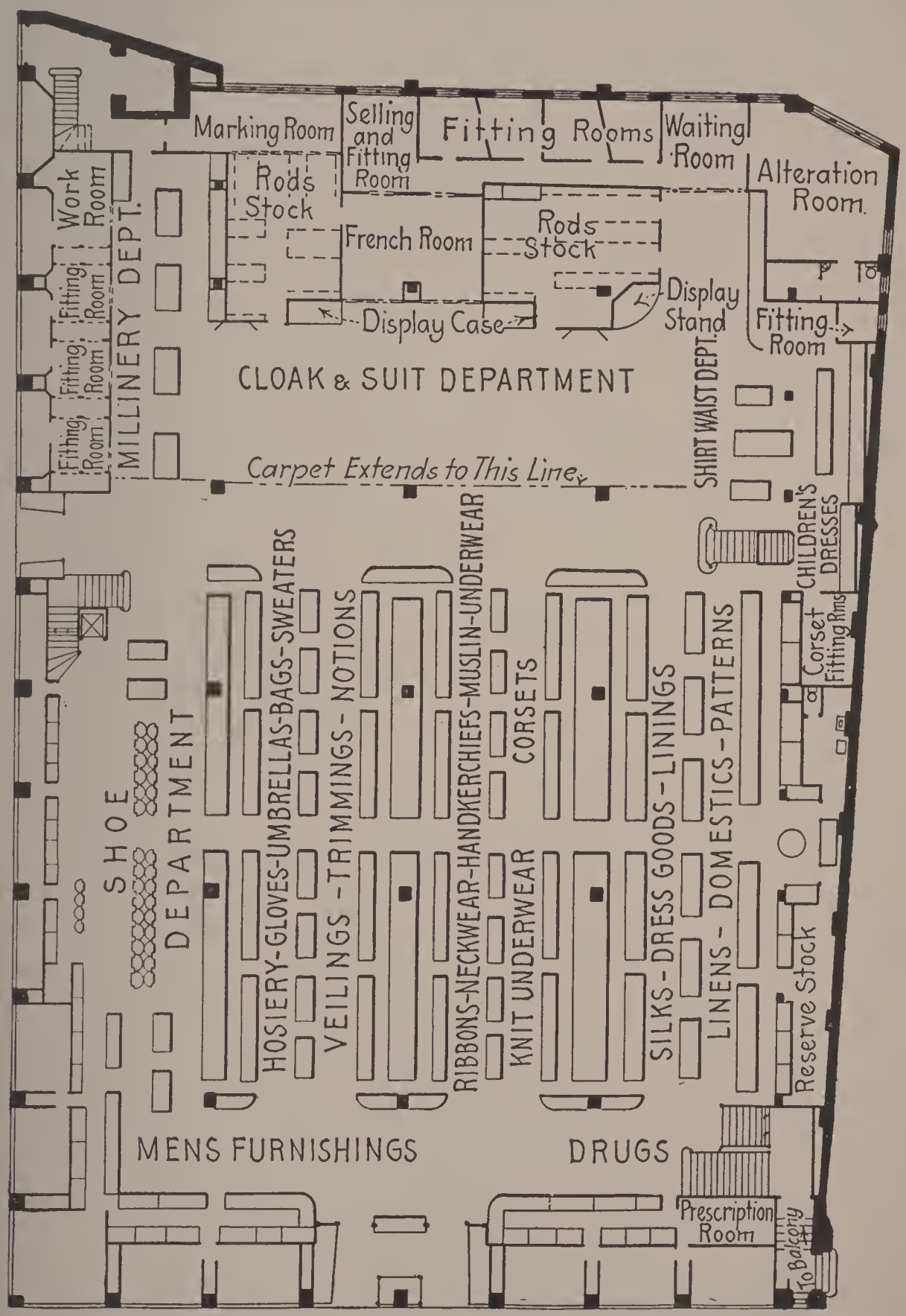


FIG. 2.—Floor plan showing location of different departments on main floor of the A. M. Jensen Company.

Company, of Walla Walla, Wash. This layout has been planned for the maximum of service to customers. An interesting

feature is the fitting and alteration rooms in close proximity to the wearing apparel departments. Reserved stock is kept in enclosed stock rooms built into the departments.

Upper Floors.—After leaving the first floor, there is again the problem of correlating lines of merchandise to be carried. If the store is to handle men's goods and there is no room for anything but the men's furnishings on the first floor, it then becomes necessary to place the men's clothing department as near the first floor as possible. For some unknown reason the average man has an antipathy towards a so-called women's store; therefore he must be given every invitation and means of transportation to get into the store, get to the merchandise he wants to buy, and out again. It is thus well to provide a special men's entrance, opening directly into the men's furnishing goods on the first floor and then, if possible, to lay out the store so that a male visitor can quickly reach the men's clothing department.

Aside from men's goods, the logical correlation of merchandise, of course, becomes the women's, misses' and children's wearing apparel. If the floor space is large enough, these should be on one floor. If it requires two floors then the women's and misses' goods should be on one. On the other should be the children's outfitting, which should include infants' wear, baby furniture, baby carriages, little girls' togs, girls' hats, children's barber shop, boys' outfitting and clothing, etc. If the store is large enough to support it, an entire floor can be logically allotted to children's outfitting with marked success. Above the ready-to-wear items logically come the home furnishing lines of merchandise, which may be large or small according to the type of store conducted.

In the case of the larger department stores the second floor carries frequently men's and boys' clothing. It is also an excellent location for piece goods, including silks, woolens, wash goods, linens, household cottons, etc. With these are allied lines of patterns, buttons, dressmakers' findings, dress forms, art needlework, etc.

The third floor is generally given over to women's ready-to-wear goods. The purpose here is quite different from the ground floor treatment. Purchasers of clothing generally come

with the intent to buy and arrangements are made to that end. Figure 3 shows the layout of the ready-to-wear department of James McCreery and Company, featuring the open sales floor plan. Stock rooms are located in the center while all daylight space is taken up with fitting booths, ten individual rooms at each end.

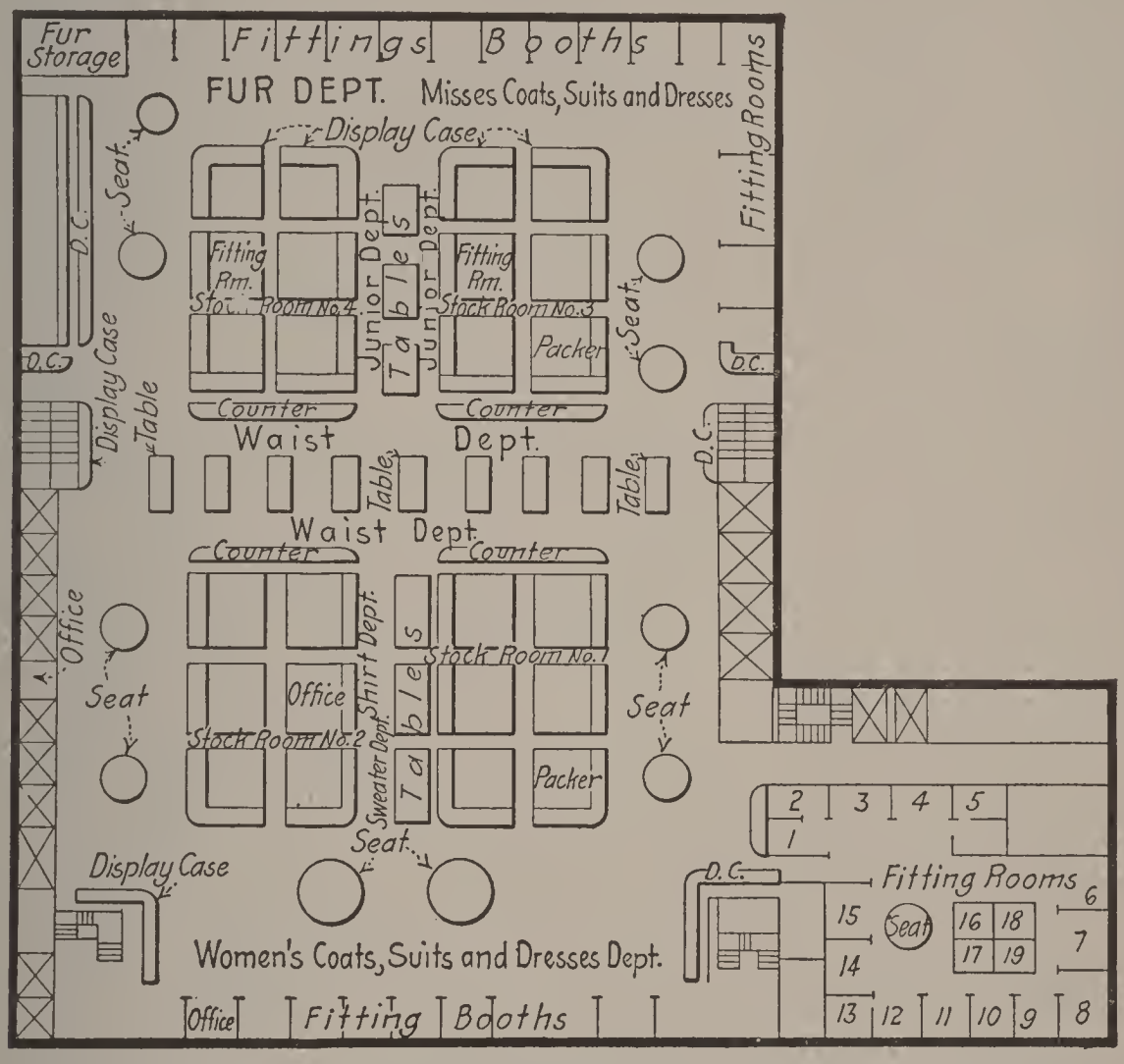


FIG. 3.—The plan of the McCreery floor illustrates the idea of open sales space. A main aisle extends from the 34th to the 35th street side of the building. Across the center of the floor an aisle extends from a tier of elevators on one side of the floor to those on the opposite side. Four large stock rooms occupy central floor spaces.

The location of the restaurant depends on whether it is meant to serve as a lunch room or as a refreshment stand. Many women like to go to an upper floor for lunch where they are able to rest and relax, while others merely wish to snatch a sandwich and cup of coffee without interrupting their shopping for any great length of time. This would mean that restaurants or lunch rooms should be well above the second floor, while soda fountains are best located at the rear of the first floor.

As it is impossible to locate special services or departments along any well-defined lines, the best positions should be studied out according to circumstances. For example, one store found that the ladies' shoe shining stand did a much greater volume of business when located in proximity to the women's rest room than as usual in the shoe department.

The actual layout of any store is a problem all its own because the physical conditions which surround each and every institution make it of necessity a separate study, and there is no general rule that can be followed. Too many times a merchant will see in Mr. Smith's store a scheme and he imports it to his own store; then after he gets it done it fails to work. It is always good policy, however, for the merchant, prior to planning a new store or rejuvenating his old store, to visualize what the other fellow has done and take a trip, visiting a sufficient number of shops in cities comparable with his own city and stores of like calibre. From these stores he is bound to glean good points worth duplicating and bad points worth avoiding, and in the end will find the time and money well spent.

Basements.—The bargain basement had its origin in the bargain table. Many modern department stores find that the bargain basement is a profitable undertaking for selling low-priced goods at small margins and eliminating such services as delivery and credit.

Figure 4 illustrates the model basement plan drawn for the Lamson Company by Louis E. Schleber. Small island counters are preferred. Articles on sale will differ, but all will have the common characteristic of low price. In this plan there is space for employees' coat rooms.

The sub-basement ordinarily contains the power plant, the cold storage room, the vault, the packing room, various stock rooms, the shipping department, etc.

The merchant, in determining whether he ought to put in a bargain basement, and before deciding definitely, should thoroughly analyze the possibilities of his city because his basement must depend largely upon a different clientele from that which will patronize the upper floors. Unless the city where

he is located is diversified enough as to population, he must be very careful about installing a bargain basement.

Aisle Tables.—There are two distinct schools of practice in regard to aisle tables. Some stores use them continuously; others almost never. Yet the consensus of opinion is that the aisle table, properly managed, has a very distinct merchandising value, and should be considered in planning store layouts.

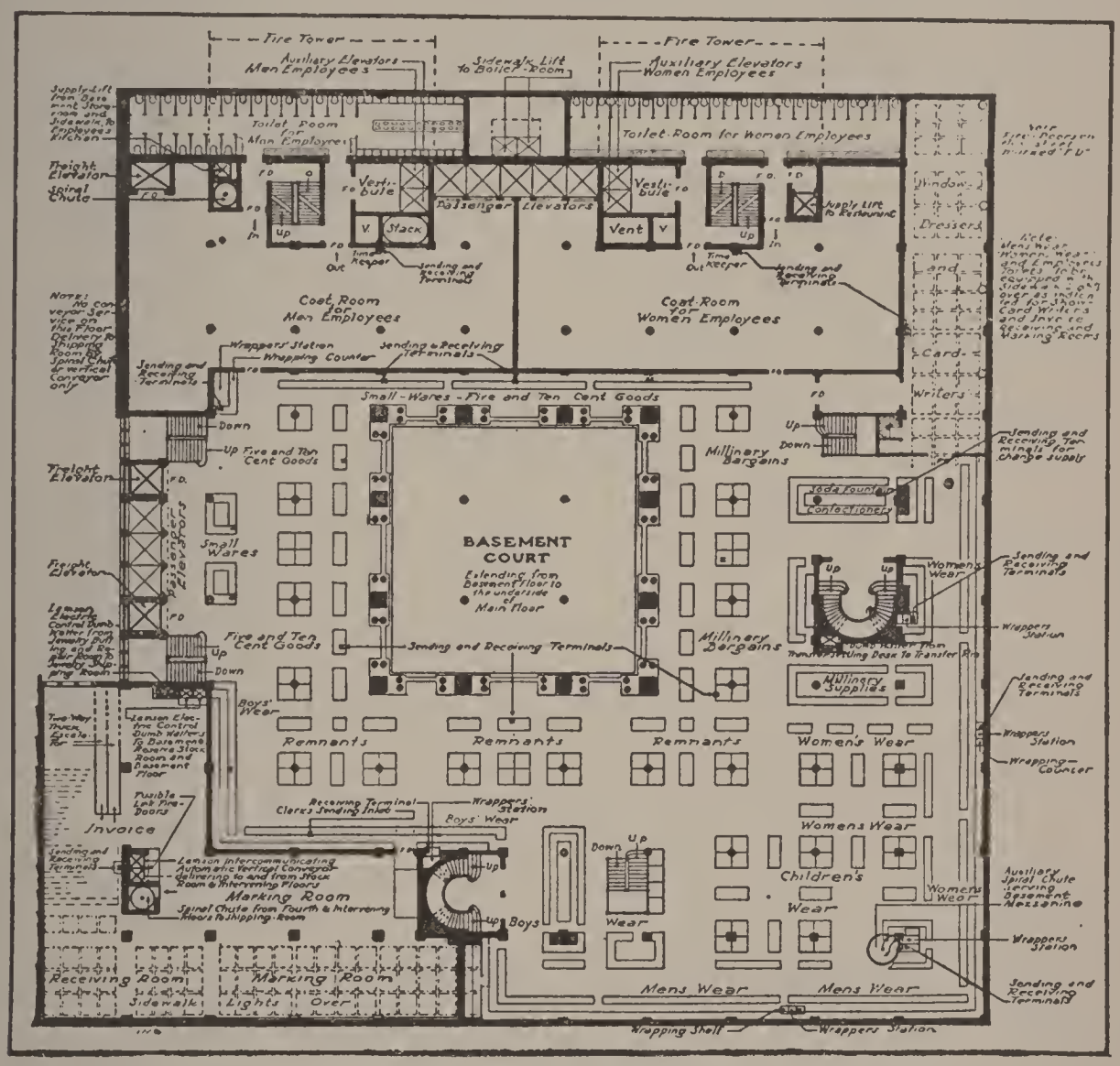


FIG. 4.—Model basement plan (The Lamson Company).

There are limitations, however, to the use of aisle tables:

1. Added congestion which may come into conflict with fire department regulations, or seriously hinder circulation of traffic in the store.

2. The aisle table must pay for the rental value of its location. As the most desirable place for aisle tables is near the main doors on the main floor, this rental value is high. When placed near the rear, this objection is overcome but the number of customers is reduced.

3. An aisle table must not crowd permanent department counters nor should it interfere with regular department sales. That is, it should contain merchandise of a different character entirely.

4. Aisle tables frequently tend to cheapen the store because of the almost inevitable untidiness resulting from handling of goods by many people.

There are six arguments in favor of aisle tables set forth to offset the limitations:

1. Aisle tables, through their great display value, will greatly increase the sale of impulse goods and will even turn many necessities into this type of merchandise.

2. Aisle tables have a strong attraction for bargain hunters and, if located in the rear of the store, would tend to draw hundreds of people to them.

3. Aisle tables may be used to direct the crowds to stairways or elevators which might not otherwise be used.

4. Aisle tables, when used only for specially priced merchandise, have a tendency to bring a great many customers to the store daily to see what is being offered, especially if the tables are changed daily, as they should be.

5. Aisle tables afford the merchant an opportunity of closing out many lines of merchandise which might move very slowly in regular departments.

6. At least 90 per cent of the sales secured on bargain tables represents extra business which in no way interferes with the regular sales of the store.

Merchandising principles connected with the sale of goods on aisle tables are taken up in another section of this Manual. It is only necessary to add here that the use of the aisle table has proved very effective when used in moderation, and it should be considered carefully in the layout of the main floor of the large department store and even in the floor layout of the smaller dry goods store.

The Small Store Layout.—The merchant requiring only a small-sized store for the conduct of his business naturally must conserve both in space and in the method of handling his merchandise. The question of salesmen is especially important. In other words, he must so plan his store that the

minimum number of salespeople can cover the retail departments properly. His grouping of merchandise and even correlation of merchandise will have to be studied most carefully, because he will not have the advantage of the large store owner in having separate floors for kindred lines. For instance, he may have to carry not only the usual first-floor lines of merchandise on the first floor but may have also to carry his ready-to-wear departments there. If so he will have a more intricate problem than as if these lines could be carried on an upper floor. However, the same general principles in store layout may be applied to the small store as to the large one, taking into consideration the size of the plant.

The small store carrying a varied stock faces the problem of getting it into as small a space as possible without crowding. This means the use of all available floor space as well as the maximum efficiency in fixtures, while still giving the store an air of spaciousness. The individual problem will always present special features as described in the early part of this chapter.

Figure 5 represents a small store layout. Men's furnishings are on the right-hand side, women's on the left. It is almost fundamental that men's departments be placed near the front of the store, since it is well known that men dislike to pass through departments largely patronized by women, however excellent the men's department at the rear may be. Furthermore, it is more convenient for the many purchases made for men by women. The tables in the center can be used to appeal both to men and women. Clothing is in the rear with workrooms adjoining.

In Figure 6 the arrangement is for a dry goods store with two floors and adapted especially to dimensions about 50 by 100 feet. On the main floor are umbrellas, neckwear, gloves, hosiery, knit underwear, men's furnishing, jewelry, leather goods, stationery, perfumery, art embroidery, patterns, notions, handkerchiefs, ribbons, linings, flannels, comforters, quilts, blankets and all kinds of cut or yard goods. There is room for four bargain tables in the center of the store.

On the second floor is placed women's wear, which requires some privacy for fittings and an opportunity to choose at

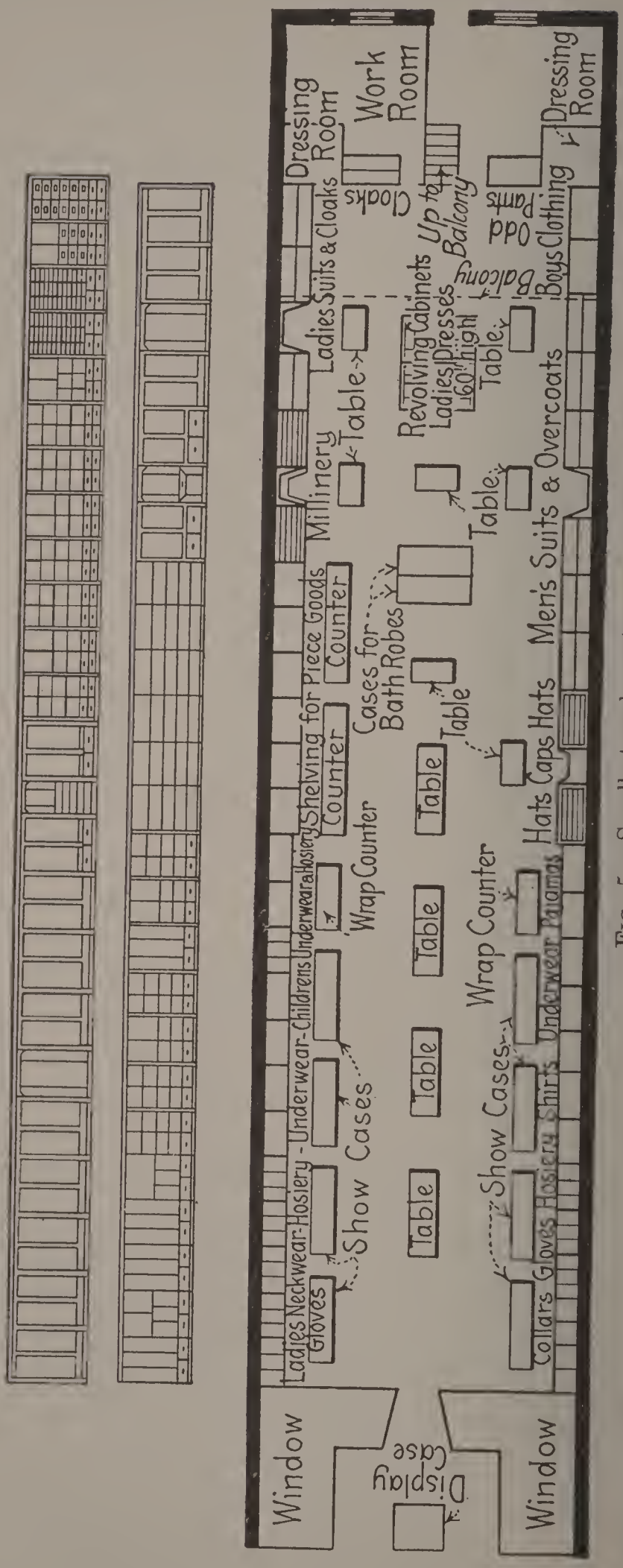
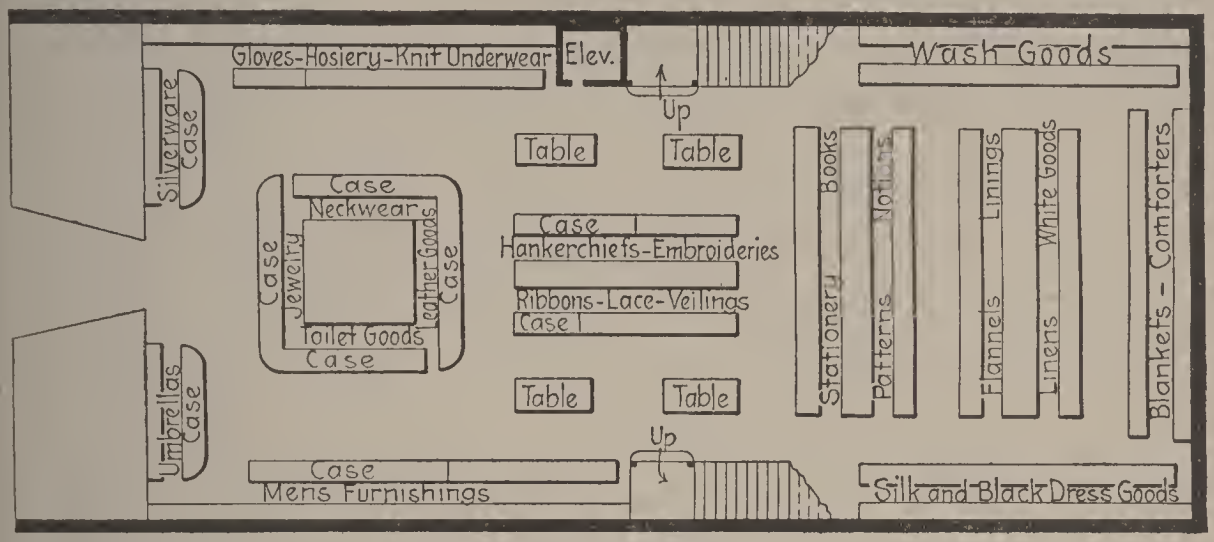
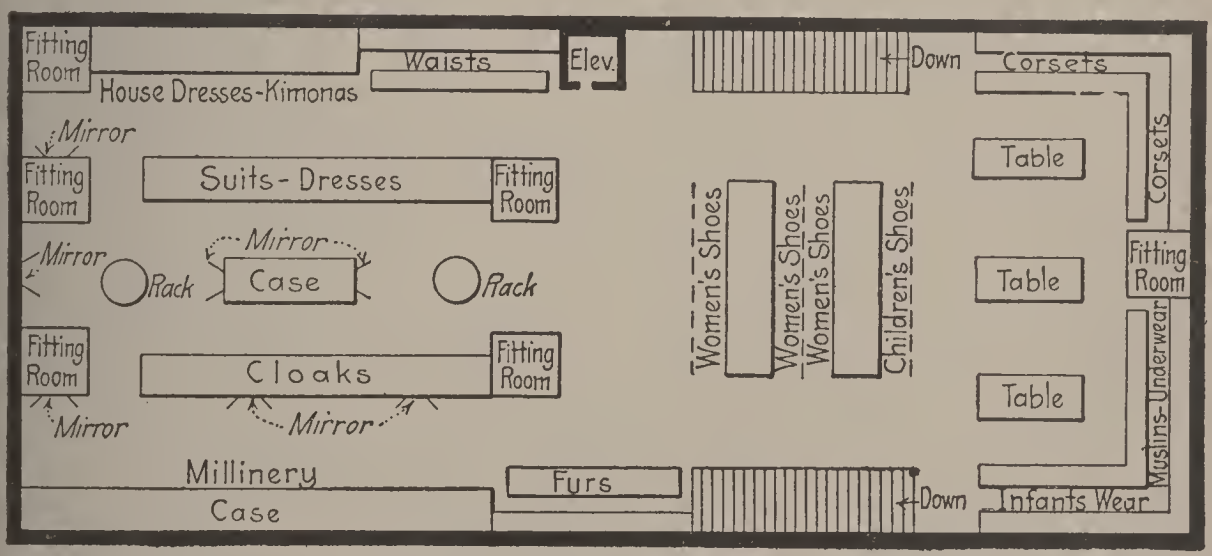


FIG. 5.—Small store layout.

leisure. This line includes women's and misses' ready-to-wear merchandise, house dresses and kimonos, waists, furs, corsets, infants' wear, muslin underwear, and shoes. Three tables at the rear serve for display of odds and ends or bargain merchandise. Fitting rooms are also provided. Between the elevator and the stairway is a space for the wrapping and service desk.



PLAN OF FIRST FLOOR



PLAN OF SECOND FLOOR

FIG. 6.—Floor layout of two-floor dry goods store.

Office Layout.—In the department store the layout of the offices takes on great importance. The requirements are somewhat specialized. It is necessary to study the duties of the groups of office workers, department heads and executives. Volume of personal transactions and written transactions is influential.

Those officials who must receive callers frequently should

be as near the entrance as is convenient. For example, the purchasing agent should be easily accessible, while the planning department may well be secluded from distraction.

The top floor of many buildings may be used to good advantage over its entire area for non-selling departments requiring the maximum amount of daylight, such as general offices, employees' quarters, work-rooms, receiving, marking, and checking rooms, and departments of a like nature. Where windows may not be available, it is always possible to locate "sawtooth" skylights in the roof with north exposure.

The question of the location of the credit and accounting office is quite often a hard problem. If this department is not needed for drawing customers into an otherwise isolated location on a selling floor, then it may better be located either on the top selling floor, or on the floor just above it, giving easy access from the elevators.

The subject of mezzanines or balconies on selling floors is another subject the average merchant has to dispose of. Unless the story height is of ample proportion so that below and above this balcony or mezzanine there is ample headroom of not less than ten feet, mezzanines are not satisfactory. One method of making use of them is to devote them to non-selling divisions, such as a public waiting room and rest room and similar departments. If they can be of sufficient size and are supplied with prominent stairways as well as with elevator service, they may be used to advantage for retail purposes. However, it is necessary to be careful as to what merchandise is located on any balcony or mezzanine. The name "mezzanine" does not seem to sound so attractive to the customer as "second" or "third" or other floor does. In a word, experience has been that a mezzanine or balcony is not 100 per cent retail space.

CHAPTER V

STORE AND OFFICE EQUIPMENT

The tendency toward providing better equipment has never been more marked than today. With the willingness on the part of merchants to use new appliances has come a flood of patents by inventors of fixtures and contrivances for doing practically every type of work in a store except the actual selling. Even here the effort has been made in some lines to reduce retail distribution to a slot machine proposition.

SALES EQUIPMENT

The Importance of Stock Fixtures.—Efficient merchandising demands adequate display, full stocks and good salesmanship. The appearance, the construction, the location and the display value of counters, shelves and show cases are of primary value to the store merchant.

A merchant may not be able to remedy the location of the store; he may be compelled, through inability to overcome structural difficulties, to have some of his departments badly located. But there is no excuse for his not installing modern stock fixtures. Up-to-date counters, shelves and display cases give the maximum display value together with the other advantages hereafter enumerated:

1. Appearance of the store. Glass-topped counters, display cases set in the walls, shelves and drawers with glass fronts are inextricably connected with efficient layout.

2. Display value. Many sales are made with modern store equipment which would never have taken place under the old conditions. A store with modern sales equipment has a definite advantage over other stores still clinging to the counter and open-shelf idea. If display helps to sell goods in the window, it also helps them in the store. Moreover, only a certain percentage of people passing by the window are poten-

tial customers, while nearly all persons passing through the store are prospective buyers.

3. Efficient salesmanship. With the old style of shelving, when the customer asked for an article, the clerk would pull out half-a-dozen boxes before finding what was wanted. In some cases it was not to be found at all until after the customer, tired of waiting, had departed. It frequently happened that the customer saw only a few of the styles which the store had in stock. When several customers were being waited on at once, or if sales were being made too fast to permit putting away goods, the counter became piled high with stock.

4. Protection to merchandise. Protection is afforded first through the closed-in compartments which keep goods free from dust and dirt. Protection is afforded secondly in a negative manner—through lack of handling. Under the old system the frequent pulling out and replacing of articles caused them to become rumpled and soiled in a short time. Through whatever cause the merchandise might have become soiled, it was the frequent reason for merchandising returns and dissatisfied customers.

5. Out-of-stock. To have to notify a customer that a certain article is out-of-stock is usually to reveal bad planning. It usually happens after the clerk has made a lengthy search through a large number and variety of manufacturers' boxes. Modern stock equipment does away with this possibility, and makes it easy for the buyer to keep track of what goods are low.

The Product and the Fixture.—The product to be sold should have a definite influence in determining the type of fixture, and this effect has been carefully studied. For example, items such as leather goods, toilet articles, jewelry, fancy goods, etc., require glass floor cases permitting close inspection by the customer, yet without allowing handling. Dress accessories, notions, buttons, trimmings and the like, need fixtures which are easily accessible to prospective purchasers, even though the salesperson may not be at hand. Sliding glass-front display racks and cabinets will keep cloaks, suits, dresses and coats in sight yet in good condition.

Revolving wardrobes are available for clothing which permit carrying double the capacity of the old-fashioned type, with greater ease in getting at the clothing. It is also possible to use the block system for clothing fixtures, each size taking a separate compartment.

There is a pronounced tendency in modern department stores to develop the shop-within-a-shop idea. French rooms, sport shops, shirtwaist and blouse shops are often to be found. Specialty shops such as these cannot afford to over-buy, and display is all-important. Hence, a good arrangement of the stock is to have it displayed in cases round the wall, in back of which are the stock rooms. As fast as one model is sold, another is brought out, giving a constant air of change and variety.

Standardization of Fixtures.—Mobility is a factor of great advantage in store fixtures. It permits rapid change in department location. It allows expansion in holiday seasons and special arrangements to stimulate sales of slow-moving merchandise. Standardization of fixture widths, lengths and heights with a view to their interchangeability, therefore, is rapidly taking place.

The greatest step towards standardized store fixtures has come through the interchangeable sectional unit plan. Display sections may be built up not only to meet the demands of the product but of the season and the buying interest. An old-fashioned store can be equipped in this way, department by department, without upsetting the whole store routine.

Adjustable shelving is made for use by itself or in combination with the sectional fixtures. These are particularly valuable in shoe departments. Shelves may be raised or lowered to meet the demands of the moment.

Designers and manufacturers of store fixtures are always willing to help solve difficult problems.

OFFICE EQUIPMENT

Naturally, the small store cannot afford and will not need the office equipment which the metropolitan department store cannot do without. The management in each case must

decide whether the mechanical equipment will do the necessary work quicker and more economically than by hand.

The modern merchant should always remember, however, that human labor should be employed only for occupations which cannot be accomplished better or cheaper by mechanical means.

Specific Appliances.—1. Store communications. The small store naturally would not need any system of inter-communication, but in the case of the large department store this is essential. In the majority of cases the regular telephone system can be utilized through the switchboard operator. An excellent way in which to test out the need for special inter-communicating equipment is to find out from the telephone operators just how many times such equipment would be required. If interior calls represent a large item, it might be well to consider putting in a separate system.

A locator system may be advisable in some cases. Each important member of the store's staff is assigned a code number corresponding to a pre-arranged signal. When he is wanted on the phone the switchboard operator pulls a lever and a sounding device notifies him he is wanted, whereupon he can answer from the nearest telephone.

2. Correspondence. All appliances which can speed up or render less expensive the extensive correspondence of the store are worthy of examination.

The addressing machine does more in an hour than the fastest typist or penman can do in a whole day. Furthermore, it accomplishes its task without mistakes, blots, erasures, duplications or omissions. An addressing machine is a necessity where the store has mailing lists of any appreciable size, and is almost a necessity where there is any number of charge accounts.

Letter openers are necessary only where there is a considerable volume of incoming mail. The letter sealer, which moistens, presses down the flaps and ejects the letter perfectly sealed, is an economy where the outgoing mail is heavy.

Losses through misappropriation of postage can be avoided by using a stamping machine which handles postage under lock and key and counts letters as they are stamped. Such

a machine will handle about 250 envelopes, cards or folders a minute.

3. Reproduction of written or printed material. A multigraph is highly desirable for the medium-sized store and necessary for the larger establishments. It produces printing and form typewriting in excellent shape and at a high rate of speed—from 2,400 to 4,800 an hour. Names and addresses on form letters can be filled in on the typewriter with a matched ribbon.

The duplicator is a less expensive device. A stencil is cut on the typewriter and from this all copies required may be made. While it does not make such a perfect job as the multigraph, it is an excellent and economical method of reproducing store notices, bulletins, name lists, etc.

The autographic register is used where handwriting in multiple form is desired. It records, numbers, summarizes and perforates manifold copies of handwriting, saleschecks, etc.

The automatic typewriter can be used where a more personal type of letter is desired. This works from a stencil cut by a special machine.

4. Accounting and auditing devices. Adding and calculating machines are used in many phases of store activity, in other words, wherever adding, multiplying, dividing, or subtracting of figures is required in any quantity.

The payroll calculating machine is a modification of the adding machine. It computes accurately the hours worked and the corresponding wage for each man employed. It reduces payroll calculation to a simple mechanical operation.

The bookkeeping machine is a still further adaptation or rather combination of adding machine and typewriter. It is rapidly replacing old pen-and-ink methods, just as motor delivery is taking the place of the horse and wagon. It not only promotes speed and accuracy but also reduces the number of necessary bookkeepers and billers.

5. Devices for the cashier. The so-called automatic cashier which makes change mechanically, is a tremendous time-saver, and reduces the chance of errors. By pressing one key—the amount of the sale—the machine does the subtracting and the correct change falls into the hand.

An automatic check endorser is on the market which lists and endorses checks at the same operation.

Every store should find the mechanical check writer a worth-while appliance. It protects the payee's name as well as the amount. There is no possibility of eradication and the substitution of "cash" for the payee's name.

Fire-proof and burglar-proof safes are another office necessity. Books, inventories, records, as well as cash, should be protected. No matter how complete the insurance coverage, the loss through destroyed records is necessarily complete.

6. Filing devices. The filing department is one of the most important in the store, not only for statistical records, but for current records. Consequently filing systems and equipment cannot be chosen too carefully. There are several possibilities, all of which should be looked into before making a final decision.

The electric tabulating machines which compile, classify, and analyze statistical information might possibly be used in the largest stores having statistical departments. An accuracy and speed totally impossible by any other method can be obtained on these machines.

7. Time clocks. The time clock automatically records the time at which all employees enter and leave. A two-color printing attachment prints "on-time" registrations in blue and late-comers and early-leavers in red. An immediately visible record protects the employee against errors and guarantees accurate record of time.

8. Miscellaneous devices. A time stamp is frequently used to keep an accurate check on time of handling all business transactions, notices, correspondence, etc.

Stencil-cutting machines increase delivery efficiency. Markings are readable and mistakes avoided.

Computing scales which automatically calculate the value of everything weighed upon them, and computing measurement devices for cloth, are also valuable wherever possible to use them to advantage.

Machines for marking price tags, and tickets for affixing to merchandise, prevent errors in marking, as well as the mis-

reading of price figures. They also save time in the marking room.

TUBE VERSUS CASH REGISTER

The development of machinery for handling sales transactions is interesting, and explains the conditions now prevailing in retail stores.

The original small store used an open cash drawer. Each clerk had access to this. In the larger stores a central cashier took charge, to whom clerks or cash boys and girls brought money. This system is still in effect. It exhibits the inefficiency of a system which permits neither dependable records nor means of checking returns.

The development and perfection of the cash register had much to do with the introduction of efficient methods into the small retail store, but its widespread use was attained only after many years of persistent education.

The first carrier system was introduced about 1880 as a means of saving the many steps required by the cashier system. It merely connected clerk and cashier, the parcels being still wrapped by the clerk. In 1884 the wire line carrier was invented and put on the market.

In 1885 the basket carrier developed and with it the idea of inspection of goods. Cable carriers came in 1888 and tubes about 1890.

The small store sales problem was generally solved by the cash register and clerk-wrap. But the large store, and particularly the department store, introduced elements which seemed to demand a more centralized system than was possible through the use of cashiers scattered throughout the store. It was not practicable to maintain the close supervision over receipts which the management thought desirable. The ever-increasing number of employees rendered personal knowledge of sales clerks' moral character impossible and hence the inspection plan was generally used as a protective device.

Defects of Inspection Method.—The inspection method of handling sales required a large force of inspectors and cashiers. Consequently, when the war broke out and help

became exceedingly scarce the tube-inspection system in general use throughout the country failed to prove satisfactory. Cash registers and clerk-wrap were installed in many departments.

A return to normal conditions after the war established the fact that for the large store a combination of tube and cash register offered the best solution. The question of the exact sphere of each has been more difficult to define. The clerk-wrap idea, however, has spread rapidly in department stores, although some are still operated on the inspection method and some have a combination of both methods.

The cash register can be used effectively in the notions, trimmings, ribbon, and other small wear departments. Goods are concentrated, distance to register is small, purchases are largely for cash, and the speed of the transaction is increased if the tube is eliminated.

For millinery, clothing, etc., where a great many of the sales are charged, and where the money in question is larger and wrapping takes longer, the tube system seems at present to be predominant.

The use of the cash register for charge accounts requires the use of the telephone or some other communicating system to secure authorization. The telephone has never proved satisfactory for this purpose, and the time consumed in securing the authorization is much longer when it is considered that by the tube system the authorization and the wrapping take place at one and the same time. In cases where over half the purchases are to be charged the tube system should be carefully considered. Even in the case of cash stores tubes are used widely, as for example, at R. H. Macy's, one of the largest in the country.

As far as the possibilities of theft in the two systems are concerned, a clever thief will find a way to steal from either one.

The great advantage of the tube system is the uniform system for handling cash, charge, C.O.D., advance payment, transfers, bank checks, refunds, credits, merchandise coupons, discounts, trading stamps, etc. It also does away with the need for extra equipment at rush hours or rush seasons.

The great advantage of the cash register is the speed with which a transaction can be consummated. This speed, however, can be attained only under the conditions enumerated above. The best equipped stores have both tube system and cash registers, the dividing line between the two being fixed by local conditions.

SECTION III

STORE OPERATION

CHAPTER VI

RECEIVING

Store Traffic.—Store traffic, in its broad aspect, means transportation of goods by carrier to the store premises, and the movement of merchandise within the store, including local delivery. The external features of store traffic include routing of orders from manufacturers and jobbers, auditing of transportation bills, filing of tracers and claims properly supported, arranging consolidated and expedited forms of shipment and proper protection to the store by insurance against the risks in transit. The internal features include receiving, checking, marking, warehousing, reserve stockkeeping, packing and local delivery.

The Traffic Manager.—Scientific supervision of store traffic problems is a comparatively new phase of retail merchandising, but it has been long recognized by manufacturers as an integral part of their producing machinery, and there is no reason why it should not prove equally valuable to the retail store.

Larger stores should place all activities above enumerated under the control of a traffic manager. His duties should be as follows:

1. The quoting of rates.
2. The classifying and routing of shipments.
3. Complete supervision of the receiving and shipping departments.
4. Complete responsibility for all out-going goods after they are placed on the shipping floor and of all incoming goods up to the time they are delivered to the various departmental representatives on the receiving floor.
5. Supervision of any and all expenses and claims connected with the transportation and handling of merchandise. The

control and supervision of the methods of handling and transporting of all merchandise received and shipped.

The National Retail Dry Goods Association during an investigation of store traffic problems in 1921 found that but two per cent of its members employed traffic managers. The other 98 per cent handled traffic problems through the office and the receiving department.

Incoming Goods.—This chapter deals with goods purchased by the store from the time of leaving the seller until received and checked by the store.

Broadly speaking, incoming goods arrive by freight, express, parcel post and boat lines. Rail shipments take care of the heavier, rougher and more bulky merchandise. Express service is an expedited means of transportation by rail covering largely all classes of commodities permissible under their regulations. Parcel post, while comparatively recent, is constantly broadening and can offer certain services beyond the limits of the other branches of transportation.

Boat lines, to a large extent, can best serve stores on or near the coast and the Great Lakes, but in some instances are active competitors of the railroads in delivering to points in the interior. They are preferred by some shippers located near the boat terminals because of expedited handling.

How to have goods shipped is one of the first problems to come up. It should be decided according to the type of merchandise to be sent, the time element, and the expense.

Often money which is saved in shipping merchandise by a slow route is more than lost in the profits which might have been made through having the merchandise in the store at a specific time. There have been cases where ready-to-wear managers have increased sales and profits of their departments by coming to New York with large trunks and by taking part or all of their purchases with them for immediate sale at the store.

Occasions come up frequently when the extra cost of sending by express or parcel post is made up through an extra mark-up possible because of the timeliness of the merchandise. In such a case, the actual cost per pound is usually not so important as the selling appeal of the shipment.

In cases where merchandise has been ordered some time in advance it is well to consider the cost of shipment by various means and to use that which is most economical.

The Pool Car.—The pool car is one method of giving fast freight service from the shipping centers to the merchants of various cities. A pool car, or a consolidated car, contains merchandise from several shippers to one consignee, or from one shipper to one consignee for distribution to several consignees.

The pool car system has several points to recommend its use:

1. Time saved in transit. It is well known that less-than-carload lots almost always take longer than full carload lots.
2. Less breakage. Extra handling at transfer points is avoided by full car shipments, and much breakage avoided.
3. Saving in freight charges. This last item may amount to a considerable sum.

The person in charge of traffic arrangements should make it a point to look into possibilities of pooling incoming freight.

Routing of Incoming Goods.—Merely notifying a manufacturer or jobber to send merchandise by freight does not mean that it will be routed to the greatest advantage of the store. There have been many cases in cities with several freight offices that the merchandise has been sent to the one farthest removed from the store.

It should be part of the duties of the man in charge of store traffic arrangements to learn the essential facts about the various lines over which shipments may be routed, as well as connecting lines which form a part of the service. Such information will allow buyers to specify the route which will give the merchandise to the store in the shortest possible time, and with the least chance for damage.

Tracing of Shipments.—If a shipment does not arrive within a reasonable time, it is customary to file a tracer. Such requests should be accompanied by a copy of the original receipt and descriptive invoice, together with a written statement from the consignee that part or all of the shipment has not been received.

In the case of C.O.D. shipments by express, requests to

trace should not be made until the lapse of a suitable period after shipment was forwarded, the exact length of time depending on the number of days for which the agent at destination is instructed to hold the shipment. In the case of perishable shipments sent C.O.D., tracer will be instituted immediately upon the shipper's request.

The company will trace all money and valuable shipments upon request. Reasonable time for delivery, of course, must have elapsed.

Filing of Claims.—The filing of claims is often misunderstood and occasions a great deal of inconvenience to merchant and carrier. Often a claim is filed with the express or railroad company without giving any claim number or without requiring or insisting upon the carrier's acknowledgment of the claim.

In the case of the express claim, the store should present a detailed statement on a form provided by the express company or made up by the store. This should show:

1. Nature and extent of loss and damage.
2. Invoice price of articles.
3. Amount of claim.

With this should be enclosed an exact copy of the shipping receipt which will establish forwarding office, date of receipt, shipper's name and address, number of articles, amount of value, consignee and destination, prepaid or collect charges, and name of employee signing.

An itemized invoice, a thorough description of the goods in case marking has been obliterated, the consignee's original complaint or copy, and any additional information will aid materially in the carrier's investigation.

Any loss or damage found to exist after delivery should be reported to the company's agent immediately upon discovery by the consignee. When such loss or damage is not discovered until after the shipment has been opened, the package should be kept intact, being particular to preserve all portions of wrapping bearing names, addresses, marks, numbers and labels, until the carrier's representative can make an inspection.

Pending the settlement of any dispute or disagreement, the

store can accept delivery without affecting any valid claim existing against the carrier.

Transit Insurance.—Transit insurance on goods ordered is carried by a number of dry goods and department stores. The great benefit of such insurance is that the store does not have to wait an indefinite period for settlement of claims by carriers but receives immediate indemnification by the insurance company which succeeds to the claim. The insurance companies settle all claims within thirty days. Payment is on the basis of invoice value in the case of delivery to the assured.

It is also possible to insure goods during local delivery from store to customer. In this case, the value is assessed at retail selling price.

Certain clauses are interesting. For example, the pilferage clause protects merchandise from petty thievery while in transit. The assured must give certain warranties, such as that the goods are free from breakage, etc. The insurance broker should be consulted as to specific uses.

A standard form of transit policy offered to stores which are members of the National Retail Dry Goods Association is here reproduced. It is issued by John C. Paige and Company, Boston, in the Globe and Rutgers Insurance Company of New York:

THIS POLICY covers goods and merchandise, consisting of Dry Goods and Merchandise usual to Dry Goods and Department Stores, against loss or damage caused by fire, lightning, cyclone, tornado, flood, earthquake, theft, pilferage, collision, derailment, and all risks and perils of transportation, except as hereinafter specified, from the time the property leaves factory, store, storehouse, warehouse or elsewhere at initial point of shipment and until delivered at factory, store, storehouse, warehouse or elsewhere at final point of destination by land conveyances and/or while on ferries, and/or in cars on transfers in connection therewith.

THIS POLICY also covers the above-described merchandise against the risks hereafter named while in transit by steamers navigating Atlantic and Gulf United States coastwise and inland waters, including the Great Lakes and including coastwise shipments on United States Pacific Coast, against loss or damage by perils of the seas or fire, general average and/or salvage charges and expenses; but no marine damages shall be paid unless amounting to five per cent on any case or package. Merchandise by ocean going steamers is warranted to be carried under deck. The risk of craft to or from the vessel included; also risks against above-mentioned perils while the merchandise is on docks, wharves, piers and/or bulkheads and/or in depots, stations and/or on platforms in custody of railroad, express or truckman or assured's own conveyance or messenger incidental to either mode of transportation. This POLICY also covers above-described merchandise temporarily stored by railroads or other transportation companies as common carriers during transit.

1 THIS POLICY covers only in the United States and Canada, but on coastwise voyages

covered hereunder, steamers may go outside the 3 mile limit if necessary or customary in the ordinary course of navigation.

2 LIGHTNING CLAUSE.—This policy shall cover any direct loss or damage caused by Lightning (meaning thereby the commonly accepted use of the term Lightning), not exceeding the sum insured, nor the interest of the assured in the property, and subject in all other respects to the terms and conditions of this policy.

3 THIS POLICY covers theft and pilferage.

4 THIS POLICY does not cover loss of liquids by leakage unless caused by fire, collision, derailment or stranding.

5 THIS POLICY does not cover risks by mail unless otherwise specifically stated herein.

6 THIS POLICY covers export shipments until ladened on board exporting steamer and import shipments after the risks assumed by marine underwriters cease.

7 This Company shall not be liable for loss of accounts, bills, currency, deeds, evidences of debt, money, notes, or securities.

8 Crockery, glass and chinaware, musical instruments, household furniture, works of art, and other fragile goods or merchandise packed in glass are warranted free from loss by breakage unless caused by fire, collision, derailment, stranding or sinking.

9 In case of loss or injury to any part of a machine consisting when complete for sale or use of several parts, the Insurers shall only be liable for the insured value of the part lost or damaged.

10 In cases of damage to labels only, the loss shall be adjusted on the basis of an amount sufficient to pay the cost of new labels and relabeling the goods.

11 Warranted by the assured free from loss or damage to goods by delay, wet or dampness, or by being spotted, discolored, mouldy, rusted, frosted, rotted, soured, steamed or changed in flavor, except the same is the direct result of a peril insured against.

12 Warranted by the assured that he has not or will not enter in any special agreement with the carriers releasing them from their common law or statutory liability, except assured has permission to release truckmen from their legal liability in excess of $50 per package or as stated in the express receipt provided it is not less than $50.

13 It is understood and agreed that the assured may accept without prejudice to this insurance the ordinary Bills of Lading issued by carrier, but it is warranted by the ASSURED that this insurance shall not enure directly or indirectly to the benefit of the carrier or other bailee, by stipulation in bill of lading or otherwise, and any breach of this warranty, and any act or agreement by the ASSURED, prior or subsequent hereto, whereby any carrier or party liable for, or on account of, loss of or damage to any property issued hereunder, is given the benefit of any insurance effected thereon, shall render this policy of insurance null and void.

14 It is also agreed that the subject matter of this insurance be warranted by the assured free from loss or damage arising from riot, civil commotion, capture, seizure, or detention, or from any attempt thereat, or the consequences thereof, or the direct or remote consequences of any hostilities arising from the acts of any government, people or persons whatsoever, or by order of any civil authority, whether on account of any illicit or prohibited trade or any trade in articles contraband of war, or the violation of any port regulation, or otherwise. Also free from loss or damage resulting from measures or operations incident to war whether before or after the declaration thereof.

15 In the event of risk of war being assumed by endorsement under this policy, the assured warrant not to abandon in case of capture, seizure or detention, until after the condemnation of the property insured; nor until ninety days after notice of said condemnation is given to this Company. Also warranted not to abandon in case of blockade, and free from any expense in consequence of detention or blockade; but in the event of blockade, to be at liberty to proceed to an open port and there end the voyage.

16 THIS POLICY does not cover merchandise otherwise insured, prior or subsequent hereto in date, whether such insurance is fire, marine, inland, floating, specific, or insured Bill of Lading, excepting for the excess of value beyond the amount of such insurance, and shall not be liable tor any loss, unless the amount of such loss shall exceed the amount of such other insurance, which said excess only is declared to be under the protection of this policy.

17 This Company shall not be liable for loss caused by neglect of the assured to use all reasonable means to save and preserve the property at and after any disaster insured against.

18 In the event of loss, damage, detriment or hurt to said merchandise, caused by the perils insured against, it shall be the duty of the ASSURED to use all lawful and proper efforts for the safeguard and recovery of the property, without prejudice to this insurance, and it is mutually agreed, that the acts of either party, or their agents, in securing, preserving or recovering the property insured, shall not be considered or held to be either a waiver or acceptance of an abandonment.

19 In all cases of loss, the ASSURED shall, at the request of said INSURER or its agents, assign and subrogate all their rights and claims against others to said INSURER at time of payment to an amount not exceeding the sum paid by this Company. This Company is not liable for any loss which, without their consent, has been settled or compromised with others, who may be liable therefor.

20 In case of any agreement by the ASSURED, prior or subsequent hereto, whereby any right of recovery of the ASSURED for loss of or damage to any property insured hereunder, against any person or corporation, is released, impaired or lost, which would on acceptance of abandonment or payment of a loss by this Company, have enured to its benefit but for such agreement or act, this Company shall not be bound to pay any loss, but its right to retain or recover the premium shall not be affected.

21 Loss, if any, under this policy shall be immediately reported with full particulars to John C. Paige & Co., 65 Kilby Street, Boston, Mass.

22 Every claim paid hereunder reduces the amount of insurance by the sum so paid, and it is a condition of this POLICY that in the event of loss, the ASSURED agrees to pay to the INSURER additional premium or premiums, pro rata, on the amount of such loss or losses, and the sum insured is hereby reinstated and in force to the full amount, such reinstatement or reinstatements to take effect immediately upon the occurrence of such loss or losses, and the charge or charges therefor to be made from such date or dates.

23 All claims hereunder shall be settled in accorance with the usage and customs prevailing in the CITY OF NEW YORK, unless otherwise provided for herein.

24 All adjusted claims shall be due and payable thirty days after the presentation and acceptance of proofs of interest and loss at the office of this Company.

25 No suit or action on this policy or for the recovery of any claim hereunder shall be sustainable in any court of law or equity unless the assured shall have fully complied with all the foregoing requirements, nor unless commenced within twelve (12) months next after the happening of the loss; provided that where such limitation of time is prohibited by the laws of the State wherein this policy is issued then and in that event no suit or action under this policy shall be sustainable unless commenced within the shortest limitation permitted under the laws of such State.

26 This policy may be cancelled by either party on giving five days' notice in writing. Pro rata return premium if cancelled by insurer. Short rates to be charged for time used if cancelled by ASSURED.

27 This policy shall be void if assigned or transferred without the written consent of the Company.

28 This entire policy shall be void if the ASSURED has concealed, or misrepresented, in writing or otherwise, any material fact or circumstances concerning this insurance or the subject thereof; or in case of any fraud or false swearing by the ASSURED, touching any matter relating to this insurance, or the subject thereof, whether before or after a loss

29 If any party or parties other than the ASSURED have procured this policy, or any renewal thereof, or any endorsement thereon, he shall be deemed to be the Agent of the ASSURED, and not of this Company, in any and all transactions and representations relating to this insurance.

30 In the event of loss or damage, payment shall be upon the basis of invoice value upon shipments consigned to the assured and of retail value in the case of deliveries by the assured to retail customers.

31 This policy covers merchandise delivered by the assured to customers and return of merchandise by customers if at assured's risk.

Receiving Room.—Every store should have some definite place where merchandise may be received, unpacked, checked and distributed to the store departments.

The location of the receiving room is important. It does not necessarily have to be on the ground floor, but it should be in a direct line with the receiving platform so that a special elevator of suitable size may transfer the merchandise expeditiously.

The receiving room should contain proper equipment, such as scales, a small adding machine, a paper baler, tools for unpacking, a desk, a fireproof file, and a hand truck.

If on the ground floor, the loading platform should be raised so that the tail board of the truck and the platform are on a level. Enclosed receiving platforms are best as they prevent damage from inclement weather conditions.

RECEIVING PROCEDURE

Receiving Records.—Since goods are received chiefly by four different means—freight, express, parcel post, and delivery from other city firms—it is judged best policy to have separate receiving sheets for each of these four methods. Each form should be kept in separate loose-leaf binders properly marked. This has a pronounced advantage when it is necessary to look up receiving records, since it is not necessary to go through the whole mass of records but only those covering the particular type.

Samples of these forms are shown in Fig. 7. While these should prove best for larger concerns, smaller stores will find a composite receiving sheet best. Such simplified forms are particularly valuable where there is no regularly organized traffic department.

The Freight Shipment.—In Fig. 7 the Traffic Group of the National Retail Dry Goods Association has endeavored to embody all information in connection with a shipment to furnish a compact record.

Records made by the receiving clerk at the store or warehouse, such as shipper's name and address, number and style of packages, nature of merchandise, etc., are shown. There is

Traffic Department Receiving Record FREIGHT Receiver_____ Date_____

Point of Shipment & Carrier	W.B. No.	W.B. Date	Shipper	Article	Weight	Case No.	Shipper's No.	Dept.	Rate	Charges		Drayage	Bill Ckd.	Bill No.	Car Initial & No.	Transfer Co & Driver	Invoice No.	Remarks	Receiving No.

FIG. 7.—For freight shipments.

Traffic Department Receiving Record EXPRESS Receiver_____ Date_____

Point of Shipment	W.B. or Sub. No.	W.B. Date	Shipper	Article	Weight	Value	On	Charge	Valuation Charges		Driver	Dept.	Shipper's Number	Invoice Number	Remarks	Receiving No.

FIG. 8.—For express shipments.

Traffic Department Receiving Record PARCEL POST Receiver_____ Date_____

Shipper	Shipper's Address	Postage	Shipper's No.	Insured No.	Registry No.	Invoice No.	Dept.	Received By	Spec. Del.	Ord. Mail	Remarks	Receiving No.

FIG. 9.—For parcel post shipments.

Traffic Department Receiving Record CITY Receiver_____ Date_____

Shipper	Article	Department	Shipper's No.	Invoice No.	Value	By Whom Delivered	Received By	Remarks	Receiving No.

FIG. 10.—For local or city shipments.

FIGS. 7 to 10.—Receiving record forms.

also included all information connected with the particular shipment from a transportation standpoint, such as way-bill references and date, delivering agents' pro number, weight, amount of charges, etc., and the receiving number.

Express Receiving Record.—As illustrated in Fig. 8, the express receiving record is similar in character to the freight receiving record. All express matter should be weighed carefully on receipt, the correct weight entered on the receiving record, and the charges figured by the receiver before payment is made to the express company. By following this system, receiving sheets will show the exact amount paid for each day's business, and form a permanent record which may be bound in loose-leaf binders. Those may be kept until the legal outlaw limit provided for by each state is past.

Parcel Post Receiving Form.—The parcel post receiving record, Fig. 9, provides columns indicating whether the mail is insured; also space for registry number or insurance number, etc. Columns headed Special Delivery and Ordinary Mail show how parcels are received. A check mark in each column is all that is necessary.

City Sheet.—The city sheet, Fig. 10, provides a separate record for goods received from concerns in the same city as the consignee. While carrying charges are seldom involved, segregation of city deliveries from common carrier merchandise avoids clogging receiving records. The form contains space for all necessary information, remarks, etc.

Routing of Merchandise.—The receiving record carries, or should carry, a serial running line number placed on the shipper's delivery slip when signed, as well as on the back of the invoice. To help in subsequent identification of the package, the same number can be marked on it in crayon when received.

On local store-door delivery, invoice must accompany shipment. For out-of-town shipments, although no invoice accompanies the merchandise, the package should be recorded on the receiving sheet. Frequent practice requires a memo. bill to be made up as a "dummy," quoting date, sender, number of pieces, and marked "no bill received."

Figure 11 shows the importance and relationship of the dif-

ferent operations involved in the receipt of goods to the receiving department, whether at store or warehouse. Thus, after being received on the platform, merchandise should be sent to the receiving room, where it is entered on a floor receiving sheet, receiving number and name of shipper being given. This floor sheet is checked against the receiving platform sheet. All merchandise should be checked in the order received.

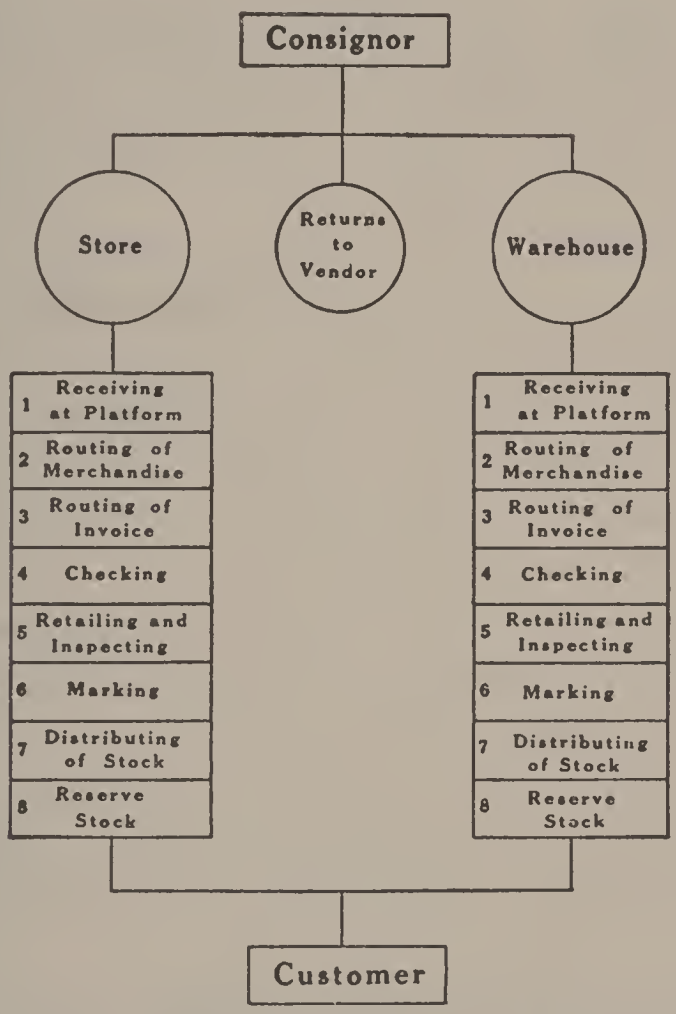


FIG. 11.—Chart of operations in receiving department.

Routing of Invoice.—Invoices should be turned over to the Invoice Department for registration, in the order received. They are numbered consecutively and marked for the department to which they belong. The registration sheet contains date of invoice, name, amount and the department for which purchased.

In order to add this information to the invoice, many firms use what is known as an apron form, giving name of buyer, terms, transportation charges, date received, etc. If every-

thing is in order the invoice is approved. If not, notice is given to merchandise section.

Checking.—Space for checking merchandise should be located between the place where it is received and where it is to be marked. In large stores a separate room can be used for this purpose, divided according to groups of departments.

All invoices should be entered on the receiving record before the containers are opened, and the merchandise examined by the checker.

If desired, a form can be given the checker on which he can report shipments on hand at the close of the day, and for which he has no invoice. This will enable the receiving room office to follow up the manufacturer.

A dummy invoice is used to enable the receiving department to release such merchandise to the selling department. This form is in duplicate (in book form), the original being perforated, and the duplicate copy a permanent record for the checker. The original copy is used exactly like an invoice, except that, instead of being paid by the main office, it is matched with the regular invoice when received.

A claim form, known as a Discrepancy Report, should be used in event of a shortage or overage in shipment.

Each checker should have three files for invoices:

1. To hold invoices for which merchandise has not arrived.
2. To hold invoices to be checked during the day.
3. For invoices approved by checker and to be retailed by buyer.

Experience has shown that containers should be opened, merchandise assorted according to style numbers, and counted, before referring to the invoice for the amount. This gives a more accurate check. If there is a discrepancy, the merchandise should be checked again by the section head and difference reported at once to the manufacturer.

When an invoice has been checked, it should be approved by the checker, with the date and his name, and then placed in the buyer's file. In the larger stores, where several checkers are required, it has been found efficient to assign certain checkers to certain lines of merchandise.

Both checking and marking of the same merchandise by the

same person should be avoided. Checkers should be tested from time to time to determine whether they are checking the merchandise accurately.

Marking.—The buyer, or his representative, retails merchandise upon the invoice or upon a sample piece of merchandise, and inspects for quality of goods. From this invoice or sample the marker marks the merchandise. Under some systems, the marker is given a symbol which is to appear on each ticket so that it may be determined at any time who marked the merchandise in question.

Flexibility of the marking staff is advisable. The assignment of markers from time to time to different kinds of merchandise tends to increase the efficiency of employees and to avoid idle periods which arise if markers are confined to a few lines.

In order to reduce the force permanently employed in the marking room, some firms are successfully using salespeople and other regular employees during certain periods of the day when they can be spared from their other duties.

If portable tables are not used, merchandise, to avoid rehandling, should be marked on the same table where it is checked. No marking should be done in the stock room. Modern practice in marking points almost without exception to the use of marking machines.

Merchandise Returns to Vendor.—A separate section of the receiving department should be set aside for the return of merchandise for credit or repair, and it is desirable, if the physical conditions and space warrant it, that such returns be packed in this section rather than in the packing department.

Merchandise which the selling departments wish to return should be sent to this section of the receiving department with the return slips properly made out. Two forms are to be used —one for merchandise which is going out for repair and inspection and which will be returned to the department (the return of such merchandise will not appear on the manufacturer's account), and the other for returning merchandise to the manufacturer for credit. By the use of this form, the manufacturer's account is automatically charged with the merchandise sent out.

These two forms should be made in triplicate, the original going with the merchandise, the duplicate to the Auditing Department, and the triplicate for the return section's records. Beside the name and address of the manufacturer, this form should have a full description of the merchandise and the reasons for returning. It is necessary to have a competent clerk and packer to take care of the work of this section.

Return Procedure.—The return form is taken to the Auditing Department where it is registered in a book and given a register number. This number is put on the tissue which is retained in the book in the department stock room and should not be voided without getting all copies and stating the reason on the tissue for voiding.

The form, together with the merchandise, will be taken to the return section, where the packer will use the triplicate copy as a shipping ticket, signing it as a proof of its having been shipped. The original copy goes to the manufacturer with the merchandise.

The duplicate copy is to be returned by the return section to the Auditing Department, where it will be checked off in the register book as having been returned, and then forwarded to the Receiving Department, where it should be kept on file as an order for releasing merchandise from the department.

When repair merchandise is received, the duplicate copy should be taken from the file, fastened to the invoice, and receiving number carried forward on the copy. If only part of the goods are returned, notations should be made on the duplicate copy as to the amount returned, and this should be refiled until the balance of the shipment is received, or other disposition made of it.

Departments, upon receiving the duplicate copy, will put the receiving number and date on the tissue which is in the book, as a matter of record that this transaction has been completed.

The Auditing Department should check up outstanding repair goods at the end of each month to see whether any have been returned without official record.

Returns for credit should be handled in the same way, with the following exceptions:

If merchandise has been shipped, duplicate copy should be returned to the Auditing Department, where it will be charged against the manufacturer. There it will be filed.

Original copies, on returns or credit merchandising returned, should be treated as an invoice.

It is highly desirable to put repair tickets on merchandise going back for repair wherever possible, as this is a means of identification when merchandise is returned.

CHAPTER VII

STORING

Distribution of Stock.—After merchandise is properly inspected and marked, it is ready either for "forward stock" kept on the selling floors, or for the reserve stock section.

Small or boxed merchandise going to forward stock should be moved in trucks provided with lock and key, particularly if the forward stock is any distance away or the passage is congested. The representative of the receiving room taking the merchandise should keep the key in his possession and open the truck upon its arrival in the department. The department will then count the merchandise and sign his receipt, which will be kept in the receiving room.

Wearing apparel should be transported in regular rack trucks provided with heavy gingham covers. This merchandise should also be checked and signed for in the department.

Merchandise which is not ready to be put in forward stock at once will be put in the reserve stock section which is under the jurisdiction of the receiving department. It is one of the essentials of a well-organized receiving department that the reserve stock section be adjacent to the checking and marking sections. If such is the case, merchandise may be moved in open trucks with safety and no receipt is required.

The principal care in the transportation of stock must be to see that careful men handle it so as to reduce the possibility of breakage or loss.

Reserve Stock Versus Forward Stock.—Although a large percentage of merchandise is not ordinarily routed through the reserve stock room, nearly every dry goods and department store finds it necessary to have either a reserve stock room, a warehouse, or both. A reserve stock room does not include the stock rooms located near sales fixtures, but merchandise set aside from which goods are transferred in bulk.

The usual plan is to have a regular stock such as is ordinarily carried and to have in addition a special reserve stock which consists of a minimum number of articles to take care of emergencies until new stock has been ordered or received from manufacturers or jobbers. This reserve stock will have to be determined largely by present stock and the time it takes to receive re-orders. The latter condition may necessitate carrying a large stock at certain times when deliveries cannot be definitely counted on.

In the toilet goods department of one store, a perpetual inventory system was worked out with a minimum stock requirement on each article. When a certain quantity was reached, re-orders were automatically sent into the market by the assistant buyers unless they were notified to the contrary. Reserve stock was used only to fill calls for merchandise which had already been ordered but not yet received.

The reserve stock rooms and warehouses are in particular use before the holiday seasons when room ordinarily used for forward stock is inadequate for the large stocks of merchandise on hand.

Stock Room Layout.—The location of the reserve stock section should ordinarily be back of the marking section, but the physical conditions in many stores do not permit this. A model plan would allow the movement of merchandise from the receiving table directly back through the various steps in the receiving room to its final destination in the reserve stock section.

Although physical conditions do not make it possible for any two reserve stock rooms to be alike, there are certain fundamentals to be observed:

1. There should be ample space for shelves and racks with plenty of light and air.

2. Aisle room ample for the movement of trucks should be provided.

3. Table space for receiving, if movable tables are not used, should be planned for.

4. Proper space for the department head and the clerical force should be arranged for.

5. Separate entrances, so that merchandise coming into the

section in wheelers and empty vehicles going out do not use the same route, are desirable if not essential. This does away with the crossing of traffic.

Too little attention has been paid in the past to the reserve stock room and the warehouse. One of the important reasons for stock and inventory shortages is poor control of stock rooms. Good control requires good layout. Hence the following advice, excerpted from the Bulletin of the Taylor Society, for August, 1919, is worthy of careful study:

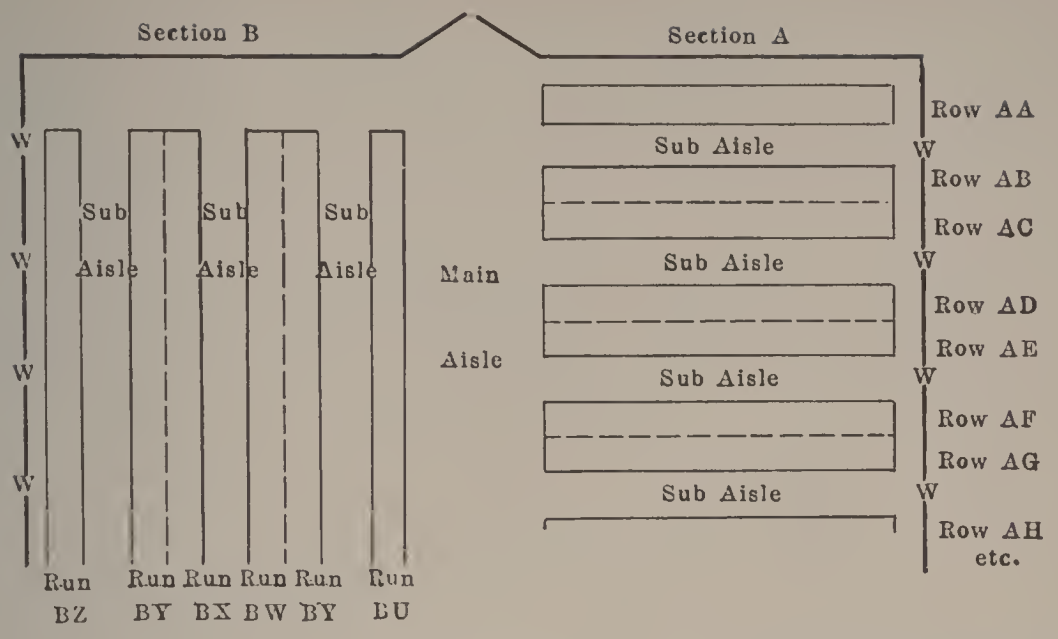
Crosswise rows rather than lengthwise are preferable in oblong sections. In an approximately square section, the rows should generally be at right angles to the direction of greatest traffic. Rows in different directions, as at right angles to each other, or lining all four walls, are to be avoided as far as possible. Figure 12-A shows the correct crosswise arrangement.

Straight lines and right turns for aisles and rows will increase economy of space. The width, location, and arrangement of aisles will be governed by the nature of the goods to be stored, etc. Main aisles should be wide enough for two-way passing and sub-aisles for one-way passage. Where possible, floor space along a wall should be planned for storage rather than for aisles. Figure 12-B shows a specimen layout for floor or platform storage of bulk or case goods, and also a layout for bin storage of small or broken package goods.

Figure 12-C illustrates the system of tiers and bins for use in storing small articles.

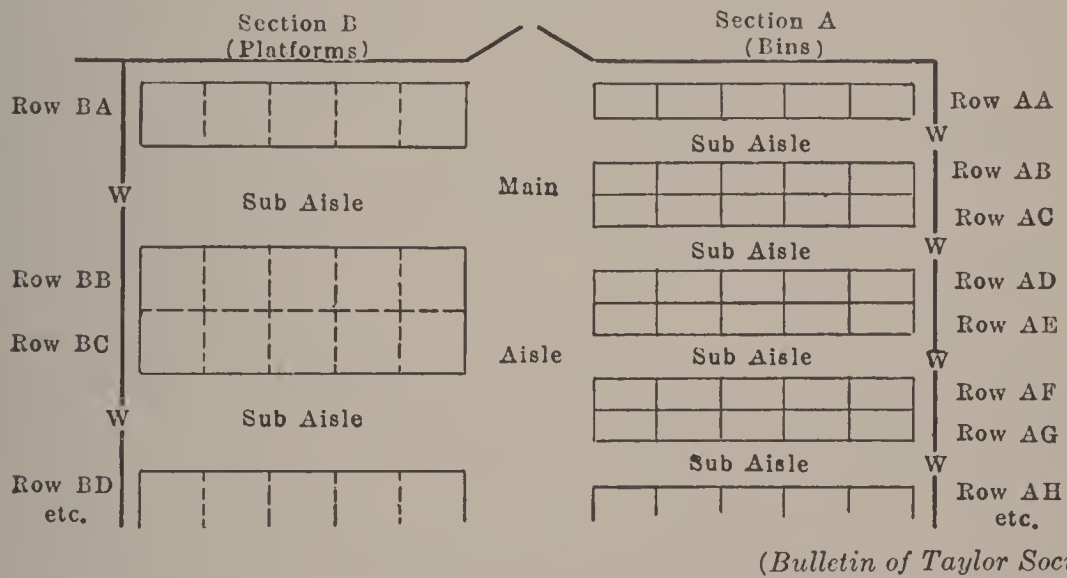
Scientific Storage.—1. Marking. The use of letter symbols provides the clearest arrangement for marking storage space. The first letter will indicate the largest division in use, and other letters will indicate smaller divisions. For example, the first letter will stand for the section, the second letter for the row, and the third letter for the bin or particular shelf. The symbol ACF will mean Section A, Row C, Shelf or Bin F.

2. Classification of stock. The most up-to-date stock rooms classify their stock according to articles of merchandise and not manufacturers' brands. For example, all silk hosiery would be segregated in one part of the stock room, or in a separate stock room, without any reference to the manufacturer's name. Identification marks should face outwards.



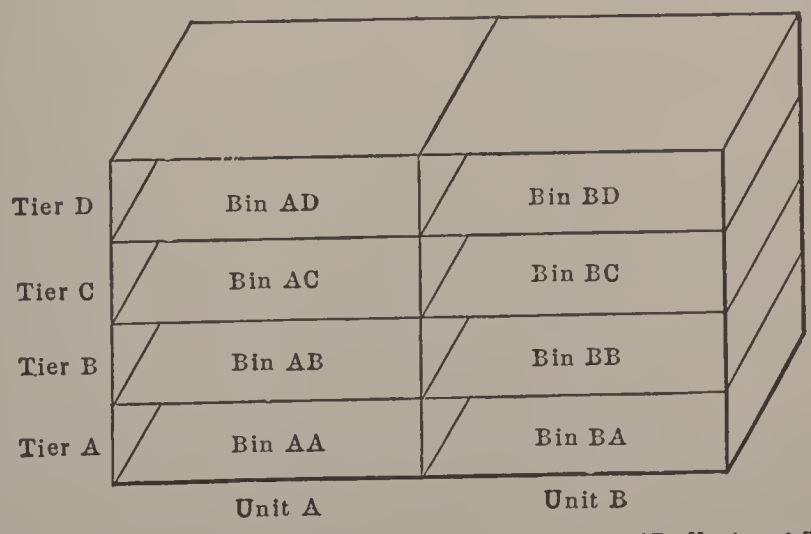
(*Bulletin of Taylor Society*)

FIG. 12-A.—Shows lengthwise rows (incorrect) and crosswise rows (correct).



(*Bulletin of Taylor Society*)

FIG. 12.-B.—Specimen layout for floor or platform storage for bulk or case goods (left); specimen layout for bin storage for small or broken package goods (right).



(*Bulletin of Taylor Society*)

FIG. 12-C.—System of bins in tiers for use in storing small articles.

3. Location of goods in stock rooms and warehouses. No definite rules can be laid down as to where a particular article should be stored. Generally a heavy article should be given the shortest possible haul. Similarly, articles which are constantly being moved in and out should be as near the entrance as is feasible. If any articles have to be specially measured, consideration should be given to this when assigning them a location. Weights which are safe to put in stock rooms should be known.

4. Units of storage. It is advisable to store goods in the units in which they will be issued to the various departments. It is also advisable to devise some system whereby old goods should be used before new ones.

5. Flexibility. Storage conditions change from year to year, from season to season, and almost from day to day. Hence, it is very important that the stock room and warehouse be laid out so that frequent rearrangement is possible. Removable subdivisions give good results. In emergencies, empty packing boxes, stacked one on top of the other, will give extra storage space.

6. Stowing away. Exceptionally heavy articles may be placed on the floor. Other heavy goods requiring more than one man to handle may be placed on platforms. Small boxes and packages may be placed in bins, while articles of unwieldy length are placed on racks. Attention should always be paid to the nature of the article. Thus brooms should stand on handle end or hang, and unprinted paper should lie flat. Articles subject to deterioration from cold, dampness, heat, dryness, etc., should be protected from these conditions. If stowing is commenced at the back left-hand corner and carried forward for a complete row before the next is started, old articles can be removed before newer ones. If wrappings are in bad condition when goods are received for storage, they should be replaced. In removing goods, the start should be made at the left-hand side. In the space left vacant the newly arrived articles can be placed.

Stock Room Procedure.—Reserve stock section should consist of a section head, an assistant, and as many clerks as are needed to receive, check and place goods on the shelves.

They should also have time to attend to clerical duties required.

The stock room section acts only as custodian of merchandise on hand, while all inventories are conducted by the selling department.

Two record forms are sufficient for the reserve stock room. In many establishments, the reserve stock room has been run practically without forms, but lack of control over requisitioned merchandise in open stock rooms has been the cause of a great deal of loss.

On the first form is recorded the stock placed in the stock room. Order or bill number is placed on the form, also date, cost price, selling price, and sizes. On the other side of the form is recorded the requisition number, date, season, cost and selling price, number of each size taken, and the total cost and total selling price of the article taken out. This sheet should be kept in a loose-leaf binder, and one person in the central stock room is delegated with the responsibility of taking charge of this book as well as of the stock room.

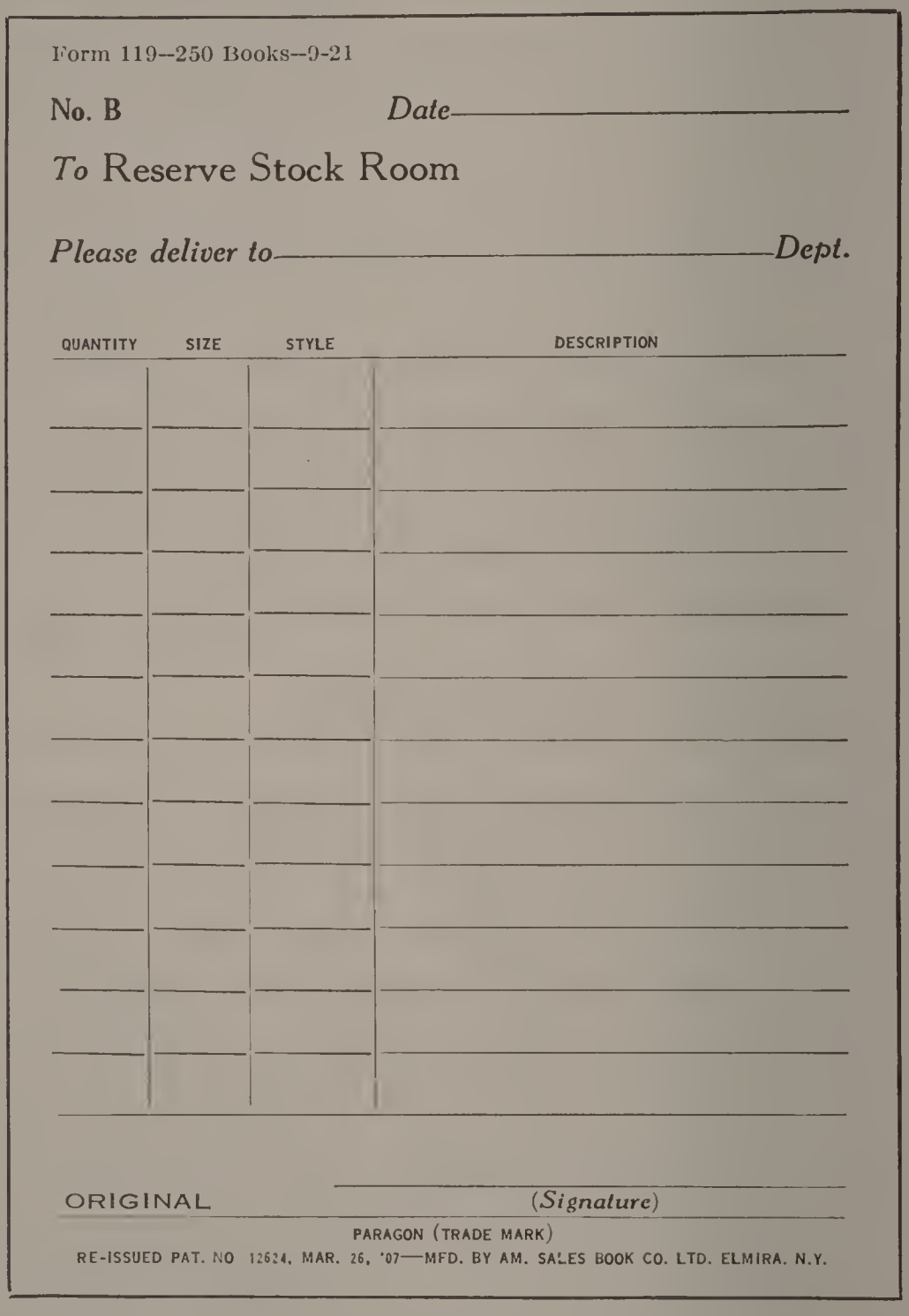
Figure 13 shows the ordinary form of requisition for goods to be withdrawn from the stock room.

The Warehouse.—A warehouse facilitates the handling of large items. It not only saves the overhead cost of handling such items, due to the fact that it can be located in a section where the rent per square foot is not so high as that of the store, but it relieves the store of such items as furniture, phonographs, carpets, and of the necessary congestion which would be caused by sending such large items from the floor on which they are sold through the regular delivery department.

Where a store has a warehouse, confusion is eliminated by the selling department's signing a requisition which is the warehouse's authority to release the item. Thus the object sold is not at any time handled in the store itself, for it is received direct at the warehouse and kept there until such requisition is sent for it.

The staff at the warehouse should consist of a capable, trustworthy executive in charge, an active, responsible assistant, the necessary receiving and delivery clerks, elevator men, and porters.

All that has been said in regard to the layout of the reserve stock room at the store applies with equal or greater force to the warehouse itself, which is maintained solely for the purpose of storing surplus commodities, or those which it is undesirable to keep in the store itself.



Form 119--250 Books--9-21

No. B *Date*_____

To Reserve Stock Room

*Please deliver to*_____*Dept.*

QUANTITY	SIZE	STYLE	DESCRIPTION

ORIGINAL (*Signature*)

PARAGON (TRADE MARK)

RE-ISSUED PAT. NO 12624, MAR. 26, '07—MFD. BY AM. SALES BOOK CO. LTD. ELMIRA, N.Y.

FIG. 13—Requisition form.

Warehouse Receiving and Recording.—The shipment, when received at the warehouse either by car, truck, or hand, is placed on the receiving platform and recorded in the same manner as that in the store receiving room, with the excep-

tion that this receiving sheet and all other forms are marked at the top "Warehouse." It is also suggested that a different color be used for these forms. After the merchandise is properly entered, it is then placed on the elevator and carefully stored on the floor designated for its use. The allotment of space must be planned out according to the size of the warehouse and the merchandise handled.

Invoices of warehouse merchandise are priced and signed by the buyer, finally being sent to the warehouse office.

The receiving clerk at the warehouse has a rack for invoices received, and upon the receipt of the merchandise he will withdraw the invoice. A rotating number can be used which is distinguished from that used at the store by inserting "W" before the number. With this number the invoice and receiving record may be stamped. On his sheet is recorded the same number, together with the name and address of the manufacturer, how much merchandise is received and the total cost.

The original copy of this record should be detached from the book each night and sent, with bills attached, to the auditing department, where the total will be taken off by the person handling insurance, so that it may be adjusted daily to meet the changing valuation.

Trucks are usually assigned by the delivery department for warehouse work only, and these trucks report in the morning to the warehouse head for the assignment of the day's work.

Handling of Warehouse Merchandise.—Warehouse merchandise may be withdrawn for direct delivery to customers, or to be put in forward stock at the store.

Upon the purchase of furniture or merchandise which is in the warehouse, the salesperson makes out the sales check in the regular way and the withdrawal form is made out and signed by the buyer or assistant buyer. The original duplicate withdrawal slip should be sent to the warehouse, while the triplicate is held in the selling department as its record. When the merchandise is packed and loaded on the delivery truck, the original shipping ticket with part of sales check attached is kept in the warehouse office. The duplicate is sent to the audit department as a sales record and for insurance purposes.

When merchandise is withdrawn from the warehouse to be put in forward stock, the same withdrawal form is made out by the department, and signed by the buyer or assistant requiring the merchandise. This merchandise is brought in through the receiving platform and the duplicate of the withdrawal slip acts as a memo bill which is given a warehouse number. After the merchandise is checked as though it were new incoming merchandise, the duplicate withdrawal slip is sent to the audit department, where the proper record for insurance purposes is made.

CHAPTER VIII

PACKING AND SHIPPING

Almost every store, whether large or small, has practically the same problems in its packing for delivery and also packing for "take-withs." The merchandise must be conveyed from the counters as soon as sold, and it must be protected at every point from rough handling as well as from theft and unintentional mistakes.

COLLECTION OF PARCELS

As soon as a store reaches a certain size, hand methods of collecting parcels for delivery must give way to some form of conveyor system. The point at which this will be necessary is determined by the type of goods sold and the layout of the store.

Mechanical Conveyors.—Whether conveyor belts, elevators, spiral chutes, pneumatic tubes, or other devices are used for conveying the parcels depends on the location of the delivery room, the system of wrapping employed, the physical layout of the various departments, etc. In many cases several types of conveyors are used in the same store to meet the special conditions arising:

1. Gravity Roller Conveyors. The gravity roller conveyor is chiefly adapted to industrial establishments where heavy boxes, barrels, etc., must be moved. It can be applied to the store only under special conditions and is particularly feasible in receiving rooms, warehouses, etc. While a grade of 2½ per cent can be used, it is advisable to have the grade at least 4 per cent.

2. The Belt Conveyor. The belt conveyor is the ordinary system of mechanical parcel carrier used in the larger stores. It does away with all congestion of aisles by trucks and frees the counters of accumulations of parcels during rush hours.

As the larger quantity of packages comes from the first floor and the basement, it is the usual practice to have parcel collecting conveyors installed. Packages can be dropped through small chutes on to the moving belt from first floor wrapping desks, and thence conveyed direct to the delivery department.

3. The Spiral Chute. The spiral chute is ordinarily used for connecting upper floors with the basement conveyors. The simplest form is a single blade type running from the top of the store to the bottom. A double bladed type is often used, one blade for charges; the other for paids and C. O. D.'s. Marshall Field & Company use double blades for this purpose.

4. Special Devices. In some cases, as previously indicated, it is necessary to install special mechanical equipment for conveying packages. Thus the Denholm and McKay Company of Worcester, Mass., has its delivery department located on the third floor rear of the store, due to the store's being located against a steep hill. A finger-type of continuously moving elevator has been installed which picks up packages from the various floors and discharges them at the third floor on to a belt conveyor which takes them to the delivery bins on the other side of the store.

Central Wrap.—The movement for efficient operation of retail stores has found one outlet in the central wrap system, that is, a system of belt conveyors which take the merchandise as sold to central wrap departments where trained wrappers speed up the wrapping process a great deal. For example, the Jordan Marsh Company of Boston with a reduction of 73 per cent in the wrapping force is able to wrap more packages than previous to the installation of the central wrapping system.

N. Snellenburg and Company of Philadelphia operate a central wrap system for all "send" packages from the main floor. "Take with" packages are handled by the old wrapping stations, the idea being that service to the waiting customer can be speeded up in this way. Merchandise to be delivered is conveyed to the central wrap station in canvas bags. Twelve wrappers handle from 200 to 400 parcels apiece during the

day. Each wrapper is furnished with twine, paper, boxes, mailing tubes, etc.

Silks and other yard goods are sent over the conveyor in specially constructed portfolios, so constructed that the merchandise cannot become wrinkled or crushed.

The methods which the Jordan Marsh Company has worked out in its central wrap department deserve special consideration as they may well serve as a model for efficient performance.

Salespersons place goods to be sent in green bags, which are collected every twenty minutes. The collector must sign a card at each station showing that the collection has been made. They are then taken to the rear in trucks and put down a special chute, which places them on a belt conveyor leading to the wrapping section. They are then distributed by girls to the parcel wrappers' bins. Parcels are divided into small parcels, Class A, and large parcels, Class B.

The Bonus System.—Parcel wrappers have been trained thoroughly in all packing requirements, and given an incentive for excellent workmanship by a bonus system. No parcel wrapper is obliged to leave her seat, as all supplies are furnished. The ordinary size of wrapping paper is laid on the wrapping table and she packs right on it. Other sizes are arranged in shelves underneath the packing table.

The feature of the department is the bonus system. A bonus tag is slipped under the string of the completed parcel. An inspector takes the package from the finished tray and removes the bonus tag if the work has been correctly done. The parcel then is thrown on the conveyor and goes to the delivery department.

The bonus rate is as follows:

Class A. Small bundles.
200 per day, 15 cents bonus
250 per day, 35 cents bonus
300 per day, 50 cents bonus

Class B. Large bundles.
120 per day, 15 cents bonus
150 per day, 35 cents bonus
175 per day, 50 cents bonus

If the number of bundles exceeds the bonus amount, the balance is carried over and added to the next day's total. That is, if a girl wraps 275 bundles she receives a bonus for 250 and 25 are credited towards the next day's work. Fifty cents is deducted from the bonus for each error caused by failure to compare merchandise with the sales check for quantity and price.

The bags to be wrapped are counted hourly by the inspector, and their number furnishes an index of the amount of help required. In addition to the parcel wrappers, the personnel consists of one girl to distribute work, a girl to give out supplies, a girl to attend to errors, a girl to attend to bags, and an inspector and assistant. These workers are given a bonus of 25 cents a day if their work is perfect.

Every hour parcel wrappers are given a rest period of five minutes, no matter how heavy the rush of work. They report for work at 11.30 and are ordinarily through their work at 5.30, it very seldom being necessary for them to remain their full quota of working hours.

Authorization of Charges.—The authorization system is usually designed to fit the special case and facilitate as far as possible the movement of parcels. It depends on the percentage of charge to cash sales, and other factors. This subject is taken up more fully in the chapter on Credits and Collections. In some stores all charge "sends" are authorized in the delivery room. At Arnold, Constable and Company of New York, the central wrap, charge-send authorizing and pneumatic tube central desk for handling the take and send authorizing (as well as for cash) are combined. The pneumatic central desk is here located in the delivery room.

THE DELIVERY ROOM

Routing.—After being wrapped and authorized, parcels come by conveyor to the delivery room where they are sorted according to route numbers and placed in sheet writers' or drivers' bins. In some stores a system of loose-leaf records has supplanted the sheet writer.

Speed in routing is dependent on the ability of the route

clerk to coordinate his memory and his hand. Routing can be learned only by experience and for this reason wagon boys who have been on all the routes are the best to break in. As an illustration of how expert sorters can become, three men at the Stix, Baer and Fuller Company's in St. Louis, routed 17,000 packages in one day.

In ordinary procedure, as fast as a package has been sorted, it is entered on the route slip, and then put in the delivery bin as marked.

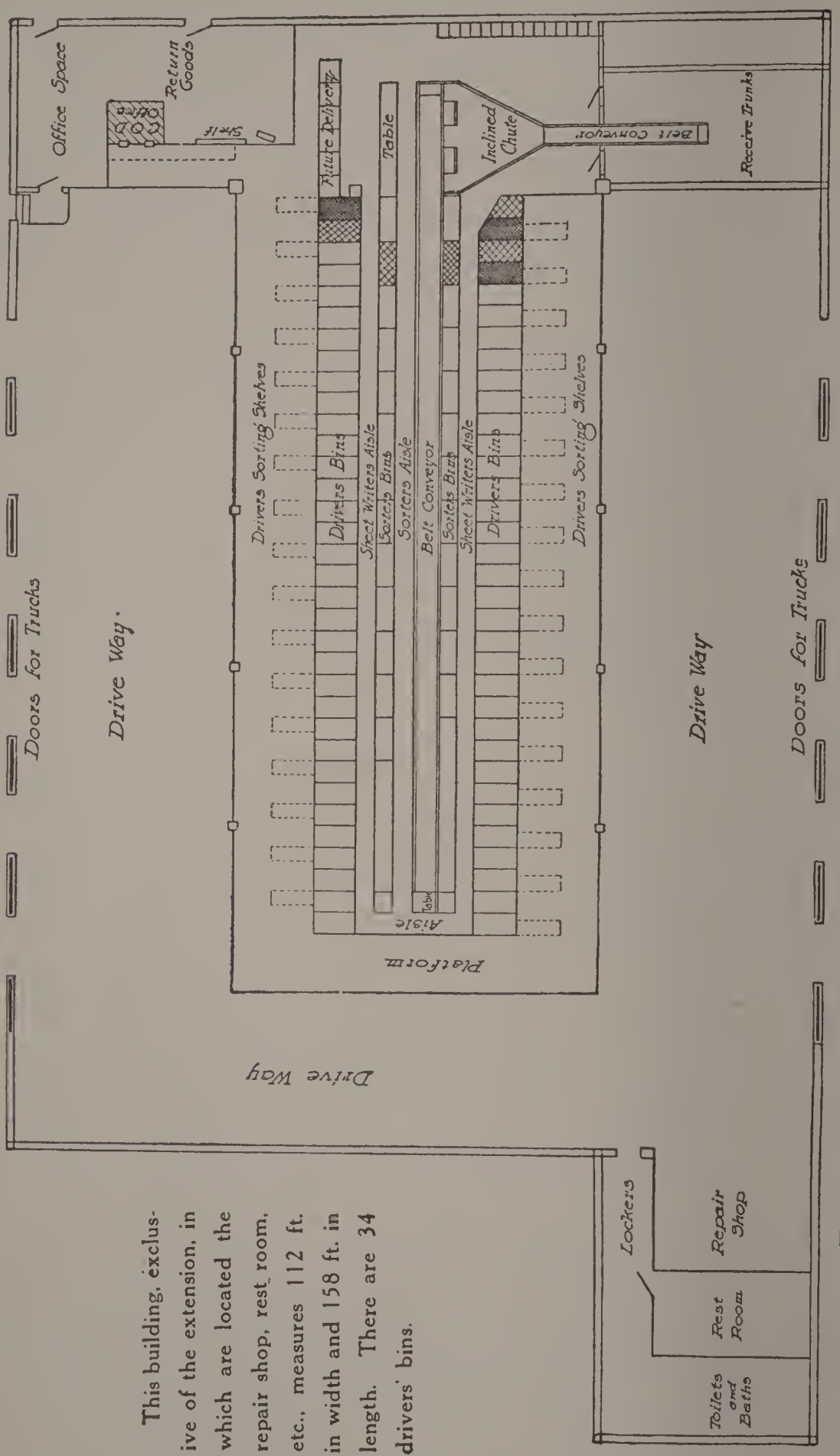
Delivery Room Layout.—Figure 14 shows the modern layout of the J. L. Hudson Company's (Detroit) package distributing station. Everything is arranged for expeditious handling of merchandise into the drivers' bins.

Modern practice is to build drivers' bins of metal wire mesh which permits the delivery superintendent to watch all proceedings at once. Sheet-writers' bins are often built with upper and lower compartments for different types of merchandise, and fitted with metal desks for recording packages on sheets.

The bins of the Rosenbaum Company, Pittsburgh, are of lattice wire construction. Each driver is given a key which will open his bin only. When he starts to load up for delivery, he pulls out the wheel truck and puts fragile articles on top of more substantial packages. More bulky articles, such as large rugs, furniture, etc., are handled in a slightly different fashion. Instead of the article itself a ticket is put in the bin. The driver thereupon goes to the warehouse, or wherever the article is, and receives it in return for the ticket.

Outside each driver's bin in the delivery department of the Stix, Baer and Fuller Company is what is known as the driver's "layout bin." It consists of five 1-foot shelves, 12 feet long and 18 inches above each other. Five of these shelves make up the cubic contents of the ordinary delivery truck. It is possible, therefore, for the driver to arrange his packages prior to loading, which makes a material difference in speed of delivery.

"Distant" Delivery.—One of the most interesting of the recent developments in store operating efficiency is the establishment of special delivery departments outside of the main



This building, exclusive of the extension, in which are located the repair shop, rest room, etc., measures 112 ft. in width and 158 ft. in length. There are 34 drivers' bins.

FIG. 14.—Package distributing station of the J. L. Hudson Company, Detroit, Mich.

store building. The J. L. Hudson Company, Detroit, one of the first large stores to put this idea into operation, has the actual delivery department half a mile away from the store and in combination with the garage.

Stores are being forced to adopt the outside delivery plan because of the great value of the basement for selling space, congestion in streets surrounding the store, etc. The State Street stores in Chicago have this problem to meet, and ship all their goods in large cases to various distributing points, from which they are sent out in small deliveries to the individual customers.

Special heavy-duty trucks remove packages from the store to the distributing station at frequent intervals. Those of the Rosenbaum Company make a trip every 15 minutes and take each trip all goods which have accumulated so that a very small space in the main store suffices for parcel storage space.

CONTAINERS

Policies with regard to packing merchandise differ widely, ranging from the highly efficient to the very inefficient. Inasmuch as material used for wrapping articles is in the majority of instances a dead expense to the store, economy and supervision of packers are especially necessary.

A great deal of loss comes from the employment of untrained packers. A new wrapper should be taught to wrap each kind of merchandise in the proper fashion. She should be able to judge at a glance the size of paper required to wrap the goods, and if a box is required, the size of the box. As it is, much twine, much paper, and much excelsior are needlessly wasted.

Proper supervision of packing is a more fruitful means of real economy than a bonus for return of containers. But it is necessary to strike at the root of the evil rather than employ half-way methods. The fundamental difficulty lies with the packer or wrapper and her proper supervision. Some stores have tried the method of cutting twine into lengths, for example, to prevent wastage, but the result has been that the wrapper uses the size too large to make sure of having enough.

Gummed Tape Versus Twine.—Gummed tape has grown rapidly in popularity due to its economy and the trim appearance presented by the package when completed. The machine can be set at any desired length and a slight pressure on a handle moistens, cuts and ejects the tape. It is claimed that gummed tape gives far greater speed of wrapping.

The Fiber Container.—The use of wooden boxes is gradually being discarded in favor of the fiber container for use in packing fragile articles. A small quantity of excelsior may be placed in the bottom and the driver required to bring back the container for use another time.

For such articles as tumblers, plates, etc., partitioned containers, somewhat in the nature of egg crates, are used.

Salvage.—Some stores, notably the Jordan Marsh Company, use a system of salvaging packing material which has been sent to the store protecting manufacturers' shipments. This system, started as a war-time economy arrangement, has been continued since.

Every piece of packing material is sent to the salvage section, examined and sorted. It then serves for rough or bulky merchandise. If paper is soiled or torn too badly, it is put in a macerating machine and then used as a substitute for excelsior.

Packing Fragile Articles.—While it is almost always cheaper to overpack than to run the risk of breaking an article, careful supervision will do away with the too frequent occurrences of this sort.

Packers should use liberally labels provided for fragile articles such as "Glass" and "Handle with Care." A driver may handle them carelessly if they are not properly marked.

China and glassware can be packed in baskets, which can be returned to the store after delivery of contents.

Marking.—Careful elimination of errors in names and addresses on saleschecks is essential for efficient delivery. As each error in making out sales checks costs the store approximately 25 cents, any plan to reduce errors is valuable.

Best and Company have adopted the plan of supplying gummed stickers to charge customers, containing the customer's name and address. John Wanamaker, Philadelphia,

uses the same idea. The purpose is to reduce selling costs to the store and reduce delivery expenses through elimination of errors.

PACKING FOR OUT-OF-TOWN DELIVERY

Many stores, particularly those with large mail order departments, find it necessary to send articles by freight, express, parcel post, or motor truck, which require special packing and special precautions. During the summer, especially, many department stores deliver at distances too far for anything but rail shipments.

Safety of Goods.—Any expense put into a package should add to the safe carriage of the goods contained therein or to the attractiveness of the shipment, and thereby serve as an advertisement. Otherwise, it is money thrown away.

The most essential consideration in packing for rail shipment is the safety of the goods. As long as the goods are delivered through the store's own employees, the store has control, but when the articles are entrusted to common carriers, much rougher treatment may be expected. Although it is possible to collect from the carrier for losses or damage sustained in transit, from the customer's point of view prompt and safe delivery is the most important consideration.

It is only fair to the carriers to pack merchandise so that it will arrive at its destination safely with ordinary care and handling. It should also be borne in mind that shipments should be so packed as to prevent the contents from becoming damaged by other merchandise which may be loaded into the same car, or vice versa.

Proper Classification.—To determine the proper style of packing necessary to obtain the lowest rate, it is necessary to secure a copy of the classification governing the movement of freight. Various rates are provided for various methods of packing, and it may be cheaper to provide better packing and secure the lower rate.

Since packers are not acquainted with rules for freight classification it is necessary to instruct them and see that instructions are followed to the letter. This is particularly important in a department store where a great many individ-

ual orders are made up of various kinds of merchandise. Packers, when left to their own initiative, frequently specify the article which makes the first impression on them. Many articles of the same general description take different rates. For example, rates on different classes of furniture differ widely.

Stores will find that one of the important basic principles in rate construction is the bulk. Ordinarily, therefore, by reducing bulk as much as possible, a lower rate is secured. For example, baby carriages when shipped set up with the wheels on are subject to the highest rate applicable to that commodity, which is three times the first-class rate. When they are shipped with the wheels off or completely drawn into the body, the bulk is reduced and the rate is only one and one-half times the first-class rate. In some instances the bulk can be still further reduced by collapsing or folding flat and the rate would be only second class.

Another element which helps to determine the class to which the particular commodity belongs is the amount of risk which the carriers run in transporting it. Different rates have therefore been provided for different methods of packing. It is to the advantage of the shipper to pack his merchandise so as to reduce the risk to the minimum.

Articles of More than One Class.—The person in charge of out-of-town deliveries should always remember that when articles of more than one class are packed together in one container, the rate which will be applied by the carrier will be the highest rate applicable to the highest class commodity in the container. It is generally advisable, therefore, to pack the different classes separately unless the additional cost of packing in this manner is greater than the loss suffered by reason of a higher freight rate.

Shipments packed so as to secure the lowest rate in one territory may require an entirely different method of packing to secure the lowest rate in another territory. Where the rate differs for certain styles of packing, the store should first determine what style will provide the lowest rate for the combination. This can generally be secured by packing so as to secure the lowest rate for the longest part of the haul.

Comparative Rates.—A great deal of money is lost by retail stores through failure to take into consideration the comparative rates of freight, express and parcel post. Freight is cheaper than express as far as very heavy pieces are concerned. Parcel post is cheaper than express up to certain weights and in certain zones.

Taken as a whole, express will probably prove the cheapest method for the majority of packages which the department store sends beyond the range of its own delivery system. This is true only as a generality. If New York is taken as the point of shipment, it is cheaper to send three pounds or less to any point in the United States by parcel post than by express. Above this weight, destination is the predominant factor.

The advantage of the express company's service lies in the fact that it has both a pick-up and a delivery service included in the rates. Parcel post as a delivery medium is treated at length in the following chapter.

Export Packing.—The essence of export packing and shipment is attention to details. The weight of lumber used, the size of packed pieces, marking whether by hand, brush, or stencil, color of ink to be used, the number of sides upon which each packed piece should be marked—all these details are of importance, particularly in the South American trade.

Pilferage is not uncommon, whether goods are shipped by ocean freight or by registered mail. Parcel post affords more opportunity for claims, while shipments by express are more likely to arrive untampered with.

CHAPTER IX

DELIVERIES

Delivery service, however managed, is one of the most expensive services rendered by the store to the customer. Efforts have been made and are constantly being made to cut delivery cost. The chain organizations have made it part of their policy to eliminate deliveries entirely. Under the stimulation of increasing delivery costs, Wm. Filene's Sons Company of Boston tried putting a charge of 10 cents on each delivery. This test was watched with interest by retailers throughout the country. During the year the system was in effect, parcel deliveries dropped off from 400,000 to 185,000 and cost per package was 21 cents against 10 cents the year before. The company abandoned the plan after one year's trial, not because it had proved financially unsound, but because the store's customers did not like it. They had been accustomed to regarding free delivery as a store service and showed plainly they preferred the cost of delivery included in the price of merchandise. A charge is still made, however, for delivery in the basement store.

It is also the tendency of retail stores to prepay freight, express, and parcel post charges on merchandise to be delivered to customers outside of the regular delivery zone. Most of the New York stores, for example, are willing to send merchandise acceptable as parcel post to any part of the United States. General policy on freight and express charges seems to be to prepay these also, but this fact is not advertised to the public.

Each sale is given careful consideration by the department manager and if the charge for transportation is reasonable, he ordinarily has the authority to approve it. Some stores make a policy of advertising the fact that they will not pay freight

and express charges on merchandise which is sold at an unusually low price during special sales.

The question of prepaying delivery charges beyond a certain range is more or less a community matter. It is important to ascertain the policy of competitors in this respect. If all the stores followed a uniform procedure, much of the difficulty would be eliminated.

The delivery department is ordinarily considered as nonproductive, yet, when well organized, equipped, and managed, it is responsible for a certain share of the store's business through accumulation of good will. When poorly organized, inadequately equipped, and carelessly managed it is frequently a source of annoyance to the customer which is reflected in her attitude towards the store.

There are three essential factors in the delivery department: the system, the personnel and the equipment. Each one of these factors depends on the others for its excellence.

SYSTEM

The system should be formulated with the idea of furnishing service in accordance with the needs and customs of the community. This requires a careful survey of existing conditions with this purpose of furnishing the most efficient service possible, both for the customer and for the store.

Errors cannot be entirely eliminated but they may be reduced to a minimum, and remedial measures should be provided to mitigate errors when they are made. The system should be arranged in such a way that it may meet peak demands without confusion and during slack periods operate as economically as possible.

Analysis of Delivery Problem.—A good system of delivery is obtained only by a careful study of the facts, including the different advantages of various methods of delivery, careful layout of routes, and an accurate and complete method of cost accounting. The following factors enter into the retail delivery problem:

1. The location of the store. The distance of the store from

the consumer is a primary factor in the delivery problem. The farther out the suburbs extend, the more complicated and the more expensive does the delivery problem become. A store selling goods within a radius of 50 miles, and this is not an extravagant estimate, has an area of approximately 7,500 square miles included in the market delivery range. The location of the store also has a definite bearing on the choice of equipment, depending on whether it is located in a congested district, whether there is ample loading space, city traffic regulations, etc.

2. The volume of business. The small store with widely scattered deliveries over a large area is at a disadvantage in maintaining its own delivery equipment.

3. Working conditions. The character of the roads, the mileage demanded of each vehicle on its route, stops per mile, traffic congestion, etc., all have an effect on the type of delivery equipment required.

4. Available delivery service. Old equipment should not be discarded recklessly without being certain that a supplementary service would not fit the necessities exactly as well with the added advantage of costing less. It is also advisable to consider the opportunities offered by cooperative delivery, either entirely or in part, and perhaps the use of parcel post delivery.

5. Cost of delivery. Delivery cost involves a discussion of what items should be included in making up the total cost per package, and also what it costs to deliver packages from the different departments. Obviously a package charge of 10 cents would be small for a piece of furniture and large for a parcel containing ribbon.

Methods of Delivery.—For many years, of course, the horse was the standard delivery motive power. His usefulness was unchallenged until the coming of the truck propelled by gasoline or by electricity. In many cases the horse is still used where stops are comparatively close together and length of time necessary to spend on the road between the store and the delivery zone short.

In addition to the horse and the power truck, a motorcycle

with side-car attachment is sometimes utilized. Lastly, there is the possibility of delivery by mail.

The Horse.—The geographical limit of a horse-drawn vehicle is marked. Beyond a range of ten miles the truck is undoubtedly superior, and it is commonly agreed that the horse is economical only over a route covering about five miles.

Even where the horse is as cheap a medium of delivery as the truck, the inconveniences attendant on keeping horses in cities are obstacles which deserve consideration. Difficulty in securing quarters near the store for stables, expense of securing feed, interest, upkeep, and replacement, extra horses for emergency purposes, are all necessary as factors influencing a decision.

The Electric Truck.—The electric vehicle is proving satisfactory for deliveries within a range of twenty-five miles. Fourteen department stores in New York City are using them effectively. Their cleanliness, simplicity of operation, and economy in frequent stop service, recommend them for use where service facilities are available.

The Gasoline Truck.—The gasoline propelled vehicle is primarily a long haul delivery proposition. For all-around purposes as well it is best owing to the ability to use it at need for any type of road service. Beyond the twenty-five-mile zone, the gasoline vehicle is almost entirely used, while within that zone it has a large part of the use as well. The individual circumstances will determine whether the gasoline vehicle, the electric truck, or the horse, is the proper delivery medium.

Combined Delivery Service.—Many department stores have solved their delivery problems, at least temporarily, by the use of horses for local delivery, electrics for suburban, and gasoline trucks for out-of-town customers. This calls for a store with a comparatively large volume of business to permit efficient routing.

For the small store called upon to do its own delivering, a gasoline truck would probably offer the best solution.

As to comparative costs of horse, electric and gasoline vehicle, the circumstances differ so radically in the individual case as to make computation difficult. Following, however, are figures compiled by the Massachusetts Institute of Tech-

nology. In all cases the distance to the delivery zone is four miles, and two trips made daily.

	Electric 1,000 lb.	Gasoline 1,000 lb.	One Horse Wagon
Miles per day	37	39	29
Cost per day	$8.60	$10.40	$6.50
Cost per mile	.23	.27	.23
No. of deliveries	128	138	78
Cost per delivery	0.067	0.075	0.085

These statistics would seem to show that the four-mile range was best suited for the electric. The range was too far for the horse and too short for the best efficiency of the gasoline truck.

Routing.—Routing of deliveries is essential to an efficient system. The common method of allowing a route to grow until the driver fails to cover it satisfactorily and then dividing it up and establishing a new route is decidedly bad practice. The route usually breaks down at a time when efficiency is particularly needed, such as at Christmas. Breaking in a new driver always causes a certain amount of delay and confusion. It also causes confusion in the sorting bins.

One method of routing which has proved satisfactory is to cut up delivery territory into as many sections as it is expected there will be routes at the busiest time of year. In dull seasons one route may cover two or even three sections. As deliveries increase, the number of routes increase but the sections remain the same.

As delivery conditions are constantly changing, records of routes should be kept to avoid overwork for one driver and underwork for another. The number of packages carried by areas of similar sizes, hours required to cover various routes, etc., serve to help in adjustment. In making a route study, the following points should be considered:

1. Mileage.
2. Stops.
3. Packages.

4. Character of roadway.

5. Per cent of buildings by classes, that is, apartments, single houses, etc.

Cost of Delivery.—When one store says it costs 10 cents to deliver a parcel, and another store says it costs 15 cents, in order to compare the two it is necessary to know what is included in this cost. As a practical illustration of the difficulty in finding out exactly what delivery costs, the results

TABLE I.—DELIVERY COST OF 33 STORES

Store No.	Class	Location	Use Standardized Expense Classification	Delivery Cost Per Package	Remarks
				Cents	
1	E	California	No	12.5	Use parcel delivery service. Furniture delivery costs $1.
2	G	California.....	Partially	15.3	
3	H	California	Partially	14	Do not charge delivery department with rent, light and heat.
4	H	California	No	15	Use parcel delivery service.
5	I	California.....	Partially	16	
6	E	Georgia	No	10–15	Use parcel delivery service.
7	H	Indiana	Partially	12	
8	E	Indiana	Partially	11.6	
9	G	Iowa	No	14	Figure cost per package from operating expense.
10	F	Maryland	No	6.2–.08	Do not charge rent.
11	H	Maryland.....	Partially	18	Furniture delivery costs 32 cents.
12	I	Massachusetts	No	24	All deliveries handled by special express service.
13	I	Massachusetts	Partially	30	
14	J	Massachusetts	Yes	19.8	
15	G	Massachusetts	No	11	Use outside delivery service. Cost 8.5 of 1 per cent of volume of business.
16	J	Michigan	Yes	16.9	
17	H	Minnesota	Partially	.09	Excluding furniture delivery.
18	H	Missouri	Partially	15.5	
19	E	Missouri	Partially	10.9	
20	G	Nebraska	Partially	16	
21	F	Nebraska	No	13.6	Do not charge rent or overhead to delivery department.
22	H	New Jersey	Partially	13	
23	E	New York	Partially	16.8	All expenses from counter to customers, all departments charged proportionately.
24	F	Ohio	No	12.8	
25	F	Ohio	Partially	.07–.09	
26	G	Ohio	No	15	
27	J	Ohio	Partially	14.1	
28	J	Ohio	Yes	17.5	Furniture delivery costs $1.05.
29	E	Rhode Island	Yes	29	
30	F	Rhode Island	No	14.2	Include all expenses after package leaves department.
31	G	Texas	Yes	.05.5	
32	E	Utah	No	13.8	
33	E	Washington	No	14.2	

Classification	Annual Business	Classification	Annual Business
Class E.....	$1,000,000—$2,000,000	Class H.....	$5,000,000—$ 7,500,000
Class F.....	2,000,000— 3,500,000	Class I.....	7,500,000— 10,000,000
Class G.....	3,500,000— 5,000,000	Class J.....	10,000,000— and over

obtained by the National Retail Dry Goods Association from a questionnaire to members is interesting.

Table I shows the delivery cost of each of the thirty-three stores. Stores are classified according to the volume of business annually. While the range is from 5.5 cents to 30 cents, fifteen of the stores average from 12 to 15 cents.

The story is not complete without examining Fig. 15, which sets forth the items on which the various delivery costs were reckoned. Store 31, which reckoned its delivery cost at 5.5 cents, omits such items as shipping department wages, packing supplies, depreciation on vehicles, and damage and loss on parcels. Stores 29 and 13 included almost every item.

CHART SHOWING
ITEMS INCLUDED UNDER DELIVERY EXPENSE

Store Number	Package Collector's Wages	Shipping Dept. Wages	Delivery Dept. Wages	Freight & Express Out and Return	Postage and Parcels	Special Messengers	C.O.D. Collection Charges	Packing Supplies	Gasoline, Oil and Grease	Electric Current	Depreciation on Vehicles Liability	Garage Rental and Interest	Repairs and Replacements to Shipping Room Fixtures	Delivery Service Purchased	Damage and Loss on Packages	Uniforms	Bonds-Surety and Fidelity	Repairs to Equipment	Unclassified
1		✓			✓			✓						✓					
2		✓	✓	✓		✓		✓	✓		✓	✓				✓50'1		✓	✓
3		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
4		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
30	✓	✓	✓			✓			✓			✓			✓			✓	
31			✓			✓			✓			✓						✓	
32	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓		✓		✓	✓	✓
33		✓	✓		✓	✓	✓	✓	✓		✓	✓			✓		✓	✓	✓

FIG. 15.—Items on which delivery costs were reckoned.

The results of this questionnaire show that the majority of stores do not know exactly what their deliveries are costing them. Stores that omit such items as rental in estimating delivery charges in appearance deliver more cheaply, yet it is also evident that some other department must bear the expense which normally should be attributed to the delivery department.

A Standard Cost System.—To obtain accurate statistics from one store which can be compared with those of another store a standard cost system is necessary. Little in the way of dependable research can be made without such a system.

The Traffic Group of the National Retail Dry Goods Association has made the following arrangement for a standard delivery cost system:

PAYROLL

Interior

30—A Management and Assistants
B Inside Division Store
C Inside Station
D Inside Furniture Delivery

Exterior

A Management and Assistants
B Outside Division Drivers
C Outside Division Helpers
D Garage Watchman
E Auto Greasers
F Tire Repair Mechanics
G Auto Mechanics
H Washers
I Office—Garage

Exterior

31—A Overtime
B Bonus
C Vacations
D Supper

Interior

32—A Overtime
B Vacations
C Supper Money

FIXTURES—DEPRECIATION —REPAIRS

Interior

61—A Office Equipment
C Delivery Room Equipment —Station
D Delivery Room Equipment —Furniture
E Delivery Room Equipment —Store

Exterior

61—A Office Equipment
B Garage Equipment

OCCUPANCY

Interior

37—A Rent Store
B Rent Station
C Rent Garage

Exterior

37—B Rent Station
C Rent Garage
D Rent Furniture Delivery
E Rent and Taxes

SUPPLY OFFICE

Interior

46—A Route Sheets Printed Forms
B Stationery—Pens—Pencils
C Trade Papers
D Postage

Exterior

46—A Printed Forms
B Stationery—Pens—Pencils
C Trade Papers

GARAGE SUPPLIES

Exterior

47—A Gasoline
B Oils
C Grease
D Alcohol or Non-freezing Substitute
E Cleaning Materials
F Tools and Tool Repairs

HEAT, LIGHT AND POWER

Interior

38—A Store

Exterior

38—B Stations or Distributing Depots
C Garage

CAR SUPPLIES

Exterior

48—A Batteries for Lighting only or Acetylene Gas Tanks
B Recording Instruments and Supplies
C Generators
D Casings
E Casing Repairs
F Tubes
G Tube Repairs
H Skid Chains
I Rims, Felloe Bands, etc.
J Tire Changing Tools
K Fenders
L Windshields
M Lamps and Horns
N Seat Cushions, Curtains, etc.
O Electric Current
P Batteries—New and Repaired
Q Sundries

VEHICLES—DEPRECIATION —REPAIRS
Exterior

60—A White
B Dodge
C Ford
D Federal
E Packard
F G. M. C.
G Outside Cars
H Painting
I Body Repairs
J Trailers—Parts and Repairs
K Depreciation
L Interest on Equipment Investment
M Mechanical Repairs

COMMUNICATION
Interior

62—A Postage
B Telephone—Telegraph

UNCLASSIFIED
Interior

52—A Bonds and Detectives
B Damage and Loss on Packages
C Employees Discount
D Advertising
E Sundries
F Parcel Post and Express Returns
G Packing Material Costs
H Store Insurance
I General Insurance

Exterior

52—A Auto Hire
B Messenger Service
C Uniforms
D Bonds and Detectives
E Damage and Loss on Packages
F Employees Discount
G Advertising
H Furniture Pads—Covers, etc.
I Tolls and Ferries
J Sundries
K Carfares
L Garage Insurance
M Car Insurance
N Parcel Post Insurance
O Licenses
P Auto Insurance
Q Garage Insurance
R Drivers Insurance

SUMMARY

Total Cost
Less Credits
Net Cost
Parcel Delivery Cost

SUMMARY—(*Continued*)

Cost Per Parcel
Furniture Delivery Cost
Cost Per Piece
Special Delivery Cost
Parcel Post Cost
Express Cost
Freight Cost
% to Net Sales

NUMBER OF DELIVERIES

Parcel Delivery
Furniture Delivery
Special Delivery
Parcel Post
Freight
Express
Employees House Parcels

TRANSFER DIVISION
Interior

A Payroll
B Rent
C Light, Heat, Power
D Supplies
E Suppers
F Parcel Collectors

HORSE-DRAWN VEHICLES
Exterior

A Rent
B Shoeing
C Feed
D Harness and Repairs
E Wagon Repairs
F Painting
G Stable Supplies
H Veterinary Service
I Payroll
J Light, Heat, Power

ELECTRIC VEHICLES
Exterior

A Rent
B Payroll
C Batteries and Repairs
D Electric Current
E Recording Instruments and Supplies
F Casings
G Casing Repairs
H Tubes
I Tube Repairs
J Skid Chains
K Rims, Felloe Bands, etc.
L Fenders
M Windshields
N Lamps and Horns
O Seat Cushions, Curtains, etc.
P Motors and Repairs
Q Painting
R Body Repairs
S Mechanical Repairs

This is similar to that advocated by the International Delivery Men's Association.

(Note: The latter organization has recently been absorbed into the National Retail Dry Goods Association as an associated group and is known as the Retail Distribution Association.)

The foregoing schedule covers all factors which should be included as ordinary delivery expenses, both fixed and running. It includes statement of what statistical summary should include, and miscellaneous expenses for horse and electric vehicles.

Cost Accounting Forms.—The Truck Owners Conference, Inc., of Chicago, sells what is known as the National Standard Truck Cost System, which gives in convenient shape a series of record forms on which delivery expenses may be entered. These forms are suited to either gasoline or electric trucks.

Another system, devised by *The Commercial Vehicle,* is sold at cost by the U. P. C. Book Company, Inc., of New York City.

Pro-rating Delivery Charges.—Next to advertising, delivery charges in the ordinary store probably rank highest in overhead. Some method of pro-rating these charges on a rational basis instead of the arbitrary method now in use is highly advisable.

According to the plan presented by Merrill C. Horine before the Metropolitan Group of the Controllers' Congress of the National Retail Dry Goods Association, proper distribution of delivery charges is dependent on four different factors—the charges per pound, per cubic foot, per package and per delivery stop. The average of these four bases will give the amount to be charged each department per package. Rates should be subject to revision quarterly.

Physical test in the shipping room of the average weight and size of each package for each department, taken for an average day, forms the basis for the necessary information. Figure 16 shows a record form suitable for recapitulating data. Total weight, total cubic feet, total packages, for each department are noted down. Pro rata deliveries are obtained by ascertaining the percentage of the total deliveries of each

department to the total deliveries of the whole store. This is necessary because one delivery may include parcels from several departments.

The rate per pound is found by dividing total delivery cost for the store by total number of pounds of all packages of all departments. Rate per cubic foot is determined by dividing total delivery cost by total packages of all departments. Rate per delivery stop is found by dividing total delivery cost by total number of actual delivery stops.

To find the charge for the individual department, it is necessary to multiply rate per pound by total pounds of each de-

ITEM		DEPARTMENTS							
		A	B	C	D	E	X	Y	Z
Total Weight									
Total Cubic Ft.									
Total Packages									
Pro Rata Deliv'ries									
Charges Per	Lb. @ —— ¢								
	Cu. Ft. @ — ¢								
	Package @ _ ¢								
	Deliv. @ — ¢								
	Total, all chgs.								
	Average all chgs.								
Rate Per Package									

FIG. 16.—Record form for recapitulating data.

partment; rate per cubic foot by total cubic feet of each department; rate per package by total packages from each department; and rate per delivery stop by pro rated deliveries from each department.

The total unit charges divided by four will give the average pro rata charges per day.

Schedules.—The best speed in the delivery department is obtained by a careful system of schedules. Besides eliminating congestion, it provides the customer with knowledge as to when a certain article should be delivered. For example, the Houghton Dutton Company, of Boston, follow out the

policy of posting delivery schedules in various departments. See Fig. 17.

By despatching vehicles at a certain time and holding to a definite schedule, the standard of performance in the entire delivery department is raised.

Complaints.—The best record of the delivery department's efficiency lies in the number of complaints which are received.

CITY DELIVERIES AT 10.00 A. M.

9.00 A. M.

CHARLESTOWN
MEDFORD
SOMERVILLE
DORCHESTER
NEWTON
WALTHAM
WATERTOWN
BELMONT
WAVERLEY

9.30 A. M.

EVERETT
MALDEN
ROXBURY
JAMAICA PLAIN
BROOKLINE
BRIGHTON
ALSTON
CAMBRIDGE

10.00 A. M.

CHELSEA
REVERE

11.30 A.M.

WINTHROP
EAST BOSTON

12.00 M.

SOUTH BOSTON

The following places are covered by Express, and leave at 12.00 noon, daily

ATLANTIC	LEXINGTON	NEPONSET	WAKEFIELD
DEDHAM	MATTAPAN	QUINCY	WEST ROXBURY
GREENWOOD	MELROSE	ROSLINDALE	WINCHESTER
HYDE PARK	MILTON	STONEHAM	WOBURN

FREE DELIVERY TO ALL THE ABOVE PLACES.
A DEPOSIT MUST BE MADE ON ALL C. O. D.'S SENT BY EXPRESS.

Free delivery in New England Excepting House Furnishings, Groceries, and Patent Medicines.

$2.50 Orders delivered FREE in New England, including Furniture; Excepting Sugar, Flour and Patent Medicines. This delivery means to the nearest Express, Freight or Post-Office as shipped optionally by us.

Mark all extra Shipping instructions very carefully, and in case of any doubt call the Shipping Room.

When calling the Shipping Room for freight, parcel post or express rates, the weight and description of the goods must be given.
No Specials will be sent except by permission of the Superintendent.
Jan. 23, 1919. *This list cancels all previous ones.*

The form above is posted in various departments of the store for the guidance of employees so that they may give patrons correct information as to when merchandise purchased will be sent out.

FIG. 17.—Delivery schedules.

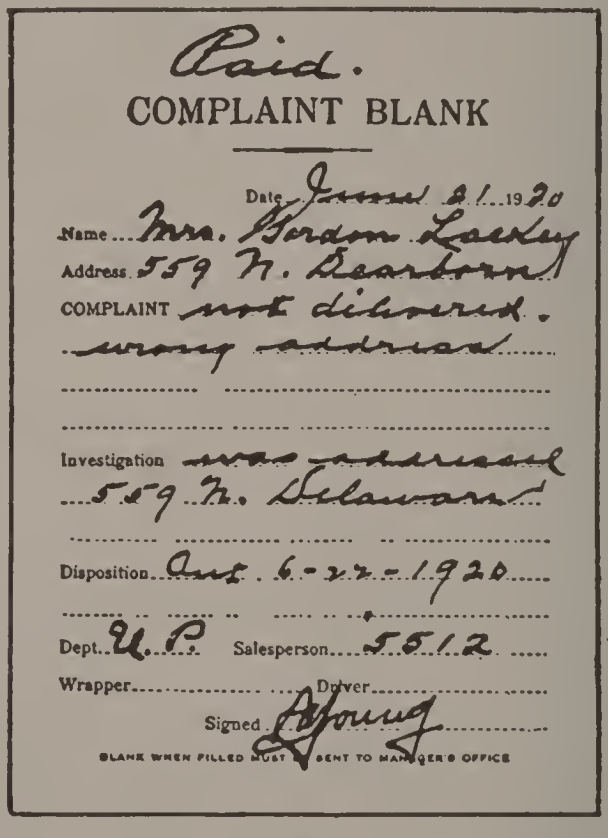
Under ordinary circumstances complaints are inevitable, but these should be kept at a minimum. To do this some system of records is necessary. According to one authority the complaint record should contain:

1. Number of complaint.
2. Date.
3. Driver's and helper's names.

4. Nature of complaint.
5. Amount of loss or damage.
6. Corrective measures taken.
7. Customer's name and address.

By analyzing these records monthly, the head of the department will know how many pieces of merchandise have been broken, how many damaged by dirt, the number of accidents, the complaints against employees and delays.

A large number of complaints are due to wrongly addressed packages or packages on which the address has become soiled


Paid.

COMPLAINT BLANK

Date June 21 1920

Name Mrs. Gordon Lawley

Address 559 N. Dearborn

COMPLAINT not delivered.
wrong address

Investigation was addressed
559 N. Delaware

Disposition Del. 6-22-1920

Dept. U.P. Salesperson 5512

Wrapper ..... Driver .....

Signed L Young

BLANK WHEN FILLED MUST BE SENT TO MANAGER'S OFFICE

FIG. 18.—Complaint blank for wrong addresses.

beyond hope of deciphering. The Pettis Dry Goods Company, of Indianapolis, has devised a scheme for handling cases of wrong addresses efficiently and expeditiously. Parcels returned because of wrong address are handed over to a girl for adjustment. She makes out a slip on the form illustrated in Fig. 18, which is sent to the superintendent's office in case the customer should call to find out why the package was delayed. The same girl consults a directory or telephone book, and if necessary the clerk who wrote the sales slip, in the endeavor to ascertain the correct address. If it is impossible to locate the customer, the package is held

until complaint is made, when the complaint slip on file identifies the matter at once.

Special Delivery.—Special delivery is ordinarily regarded as an evil, yet the majority of stores offer this service, restricting it, however, as much as possible. Methods of delivery vary with individual stores and local conditions. The delivery boy is sometimes used, but ordinarily should not be employed because of the temptation to abuse the special delivery service, since as long as there is a force constantly on duty, the motive for using it will not be lacking.

Special deliveries are and should be authorized by some store official before being sent out. A special requisition form is frequently used. Suggestions on the part of over-anxious salespeople to customers of the special delivery service should be discouraged.

PERSONNEL

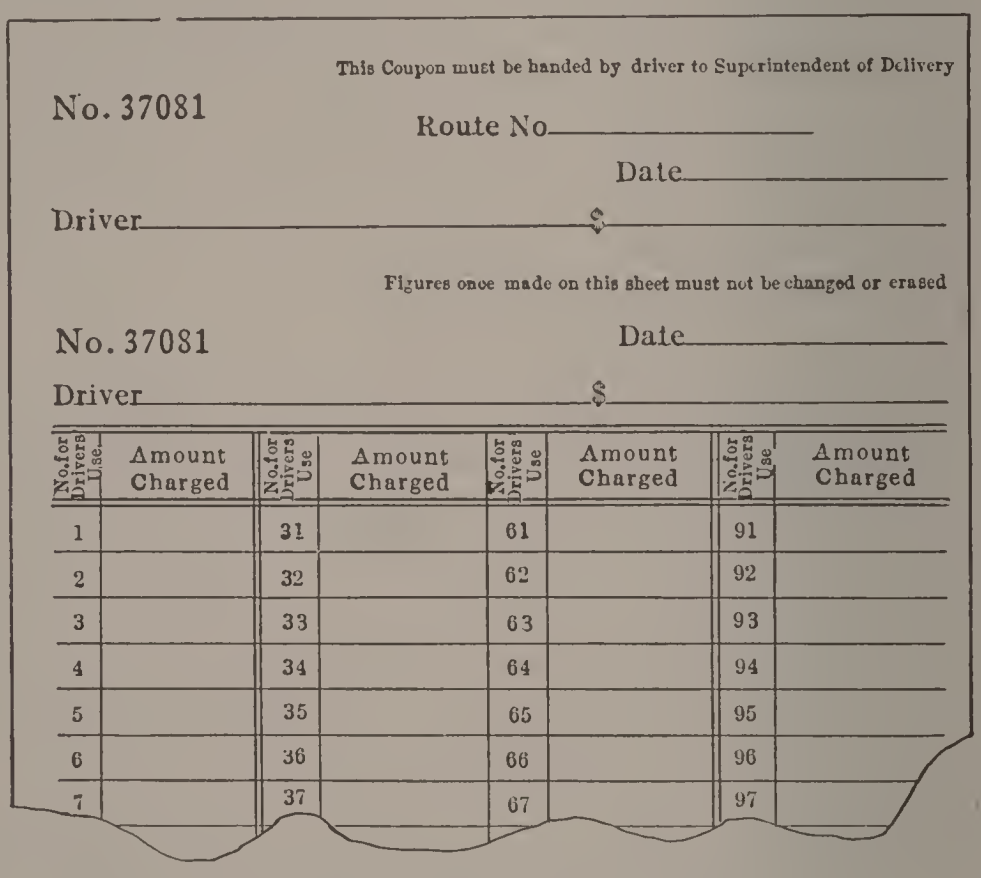
A department store executive who made a thorough study of the delivery department stated some time ago that 70 per cent of the success or failure of a delivery department depended upon the human and personal element connected with it. It is generally well known that the personal element has been most difficult to contend with, and as yet comparatively few stores have attempted to correct any of the faults so evident in a poorly conducted delivery department.

Competent authorities on store management have frequently stated that one of the most successful ways of getting the best kind of work out of employees and of turning poor human material into good workers is to bring about a realization on the part of all employees, however humble their position, of the fact that their service is vital to the successful conduct of the business. It is necessary, in short, to make each worker feel his task is important, and that loyal, efficient service will receive a just reward.

The delivery truck driver is in a somewhat different position from other store employees. During a great part of the day he is his own master as far as any direct supervision from the store is concerned. Whether he does his work quickly and well depends upon his interest in the work and not upon any

stimulus directly applied. This interest is developed, first by proper training in the performance of his duties, second, by a careful system of records, and third, by a monetary incentive.

Training of Drivers.—The driver represents the store to the customer. A badly trained driver creates a poor impression. The ordinary path to a driver's position is through serving as a helper. The efficiency of this promoted helper is dependent on the teaching ability of the driver. If he has



This Coupon must be handed by driver to Superintendent of Delivery

No. 37081 Route No_____

Date_____

Driver_____ $_____

Figures once made on this sheet must not be changed or erased

No. 37081 Date_____

Driver_____ $_____

No. for Drivers Use	Amount Charged	No. for Drivers Use	Amount Charged	No. for Drivers Use	Amount Charged	No. for Drivers Use	Amount Charged
1		31		61		91	
2		32		62		92	
3		33		63		93	
4		34		64		94	
5		35		65		95	
6		36		66		96	
7		37		67		97	

FIG. 19.—Driver's checking sheet.

had a good driver as instructor, the chances are he will make a good driver himself, but if he has had a bad instructor, he too will turn out badly.

Although few stores employ instructors for drivers and helpers, the efficient management of the large delivery department will sooner or later render such a procedure necessary.

A driver should know how to load his wagon or truck properly. If the load is properly arranged at the loading platform, the chances are that breakages and other accidents to merchandise will be few.

A driver should know how to drive his car.

A driver should be well acquainted with store rules and regulations for delivery. If parcels are not to be left next door, he is responsible for the helper's observance of this rule as well as for his own.

Driver's Records.—Since the driver has little time to make entries on record forms, all paper work should be made as simple as possible. It is necessary, however, that record should be kept of all merchandise entrusted to the driver's care. Figure 19 shows the form of record used by R. H. Macy's as a driver's checking sheet. Each morning, before starting out, the driver enters his merchandise. For C.O.D. packages the amount is filled in, while for paid packages a simple check is sufficient. The driver's figures are compared with those of the entry clerk and the driver signs the sheet.

When the driver brings back packages, he secures a receipt for them from the entry clerk. All C.O.D. packages must be accounted for in money or in returns. Helper and driver sign for all paid packages delivered and are thus directly responsible.

Breakage records may seem desirable where losses through this cause are large, but negligence on the part of the driver is difficult to prove and any deduction from the pay envelope unwise. The application of a well-planned bonus system is effective in reducing breakages.

Incentive.—It makes no difference how cautiously delivery employees are selected, how carefully they are trained in the discharge of their duties, or how pleasant their working conditions are, if sufficient financial compensation is not given. The delivery employee desires his loyal and efficient work to be rewarded in his own increased earnings, and not in welfare work. The simplest form of incentive is a bonus system. The instant a driver understands that his remuneration will be based on the work he actually accomplishes, he becomes vitally interested.

Best results are generally secured when the bonus is paid monthly or weekly. Immediate reward for effort keeps interest alive and competition keen. When long periods of time elapse between the payments, interest abates, efficiency lags

and enthusiasm is in evidence only at the time of their receipt.

The bonus should be based on efficiency in discharge of duties and attendance. If the incentive is substantial enough, the driver is generally willing to adopt the means of acquiring it. The results are a satisfied worker, lower labor turnover, more efficient work, less waste and breakage, better service to the customer, and reduction of operating expenses. That bonus systems are practical is proved by the fact that they are successfully operated with good results in some of the best stores in the country. Systems now in use are based on attendance, on efficiency, or on a combination of both. Some stores pay the bonus in the form of cash prizes. The Rosenbaum Company of Pittsburgh, for example, gives a certain amount for the lowest cost per mile for the month, lowest cost per package, most miles per gallon of gasoline, etc.

The ordinary plan is worked out according to merits and demerits. While there is too much divergence in practice to give any standard example of practice, the plan as worked out by the Famous and Barr Company, of St. Louis, will give a general idea of what is contained in the bonus.

The general conditions are two: First, vouchers for lost merchandise which have been entered on the driver's sheets and for which he cannot show delivery will be charged against his bonus at their face value; second, offenses will be charged against drivers in points, each point to represent $1.

1. Any driver reporting late three times in one month will be charged up with one point; every time thereafter in the same month, up to 10 times, one point for each offense.

2. Any driver having three tracers recorded against him in one month will be charged with one point, and one point for every additional tracer during that month.

3. Any driver with three complaints recorded against him in one month will be charged with one point; and for every complaint additional another point. (With exception of Article 16.)

Complaints which will be charged against drivers' records as above outlined are as follows:

1. Delayed delivery.

2. Merchandise delivered damaged.
3. Wagon calls delayed.
4. Misbehavior of boys.
5. Rear- and side-door delivery.
6. C.O.D. change.
7. Not using sidewalks but crossing lawns.
8. Mistreatment of horses.
9. Fast or reckless driving.
10. Improper return of merchandise.
11. Improper delivery of merchandise in connection with condition of wrapping, fiber boxes, unpacking in wagon, pounding doors, ringing door bells, yelling "Name of Store," throwing packages in windows, leaving packages on porches, leaving packages with neighbor without notification card, delivering merchandise with other wagons than our own.
12. Laying loads or arranging splits in an objectionable manner.
13. Splitting boys too heavily.
14. Smoking on wagons or around store property.
15. Permitting others than employees to ride on wagons.
16. Violation of any regular rules.

The following complaints will be charged against drivers' records at from one to five points each according to the seriousness of the offense, irrespective and independent of the aforesaid complaints:

1. Impudence.
2. Leaving wagon in front of saloons or other objectionable places.
3. General carelessness conducive to accidents.

A careful and accurate record of each and every violation will be compiled and kept by the Delivery Department. Each driver will be notified of every charge against his record.

Some firms furnish uniforms without charge to drivers and helpers as an added incentive. Employees consider the saving in clothes as a valuable economy. The store benefits in the improved appearance of the drivers. The John Wanamaker Company of New York has uniforms with military effect and puttees. These are less likely to be damaged jumping on and off the vehicle. Some firms employ tailors to take care of

employees' uniforms, each employee being required to leave his uniform in his locker at night where it can be inspected and repaired.

EQUIPMENT

The equipment of the delivery department is a most important factor.

There are arguments for and against every kind of delivery equipment on the market and the only sound basis upon which purchases should be made are those outlined in the first part of this chapter. First cost is not a controlling factor although too often it is made one. Durability, dependability, and economy of operation and maintenance are far more important. These can be obtained only after a careful study of performance records.

It can be said in general that one make of truck should be used for a fleet, unless varying uses demand special trucks. A standardized fleet means simplicity in maintenance and repair.

Bodies.—The relation of the body for a dry goods delivery truck should be given careful thought. Not only must it fit mechanical requirements but it must be designed to represent the store to the customers and to the public. Thousands of people see these delivery trucks daily and the appearance of the body invariably claims their attention.

In addition to appearance, there are four points to consider in the choice of a standard body design for the delivery fleet:

1. The character of the goods to be transported in the truck. The smaller store may find it necessary to use the same truck for small and for bulky articles. The larger stores will find it better to have special trucks for heavy articles. But if both small and large articles are to be carried in the same truck, bodies must be arranged with this purpose in mind.

2. Although the body must appear attractive, it must be large enough to carry enough goods to cover the route.

3. The body should not be too heavy.

4. The driver should be protected by some method against cold and wet. Such protection will materially increase delivery efficiency.

Tires.—Pneumatic tires are almost universally used for dry goods and department store delivery trucks. The type of tire will depend on the weight to be carried, the average speed, road conditions and other minor factors.

The service which any given tire will render depends on the care and attention received. The chauffeur is responsible for three-quarters of the care and the garage force for the other quarter.

Under-inflation is probably the most common fault. Improper application of chains is another factor causing rapid deterioration. Sudden stops and starts cause large flat spots on tires. Switch points and crossings on car tracks cut the tread. Misalignment of front wheels will destroy the usefulness of a tire in a very short time. Fabric breaks caused by

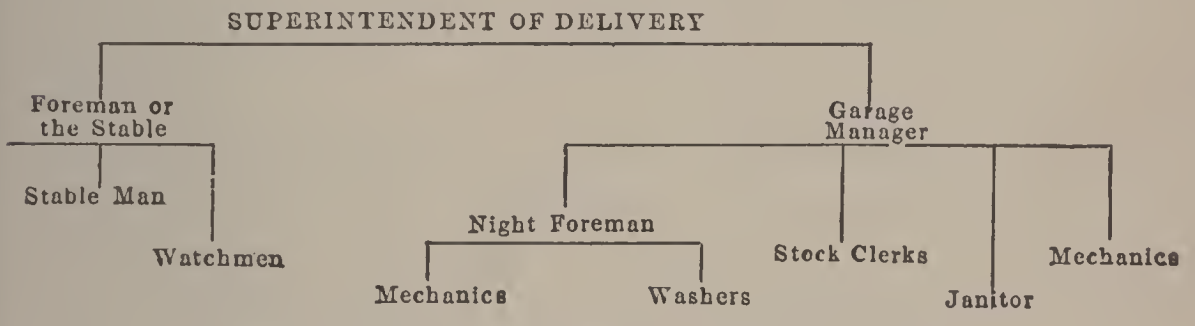


FIG. 20.—Stable and garage organization chart.

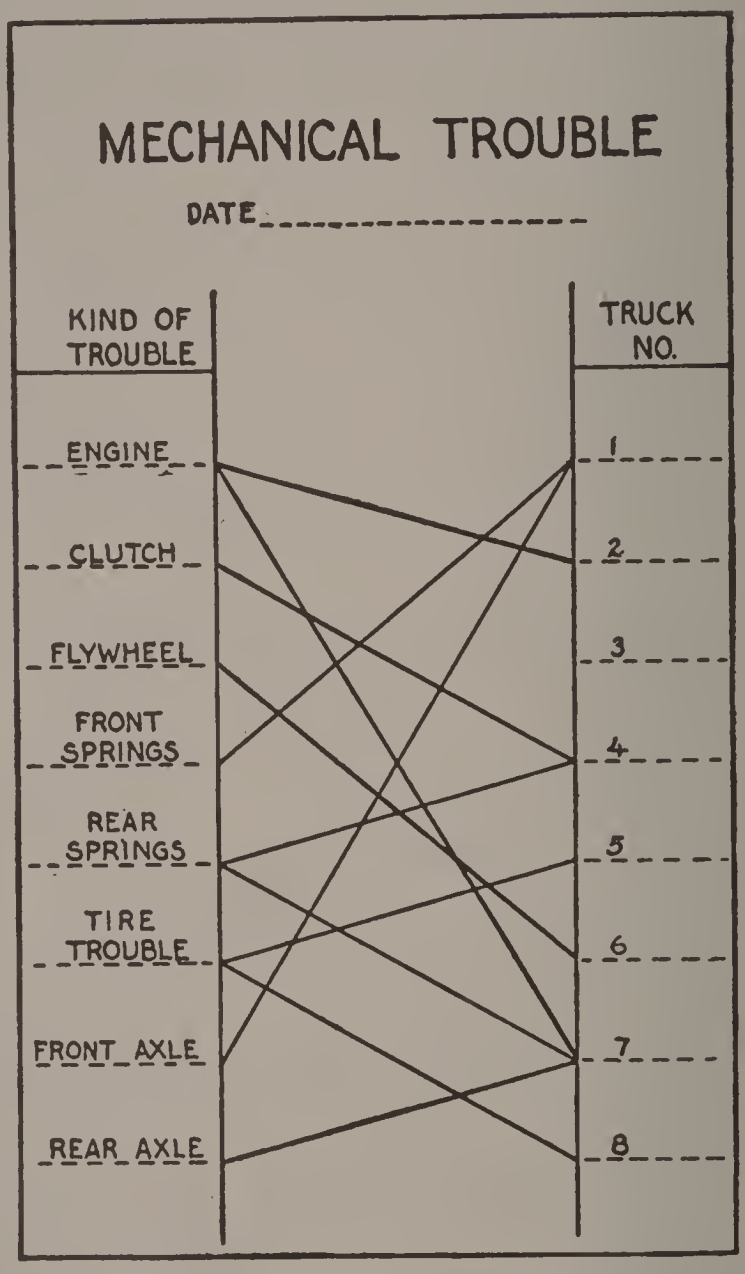
careless backing into curbs or running over bumps at high speed can be avoided by proper care.

The Garage or Stable.—The superintendent of delivery should be in direct control of all equipment, whether horse-drawn or power-propelled. The arrangement is shown in Fig. 20. If both horses and trucks are used, the garage and the stable will be under separate foremen but coordinated under the control of the delivery superintendent.

The stable force is usually reckoned at one man for every six or eight horses, and this force should take care of wagons and harness as well.

In the garage the night force is most important, for during that time the major part of the repairing and all washing and cleaning must be done. Where drainage conditions are properly arranged, one washer can wash from fifteen to twenty cars during the night.

Drivers should not be responsible for mechanical adjustments on cars, for lubrication, gasoline or other supplies. This is a garage matter.



(*Administration*)

Fig. 21.—Graph recording mechanical troubles.

One authority gives the following figures as an index to number of men required for a garage force:

Store	Number of Cars	Types	Cars per man
A	40	Same	4
B	15	Same	3
C	35	Same	4
D	60	Same	5
E	65	All types and sizes	6

Performance Records.—A great many stores rely on daily reports from drivers as an index to the car's condition. Unfortunately, many drivers are indifferent, or forget, or wait until the trouble becomes serious before reporting it. Some supplementary system is, therefore, necessary for the best results. In some cases a mechanic makes a weekly inspection independently of the driver's report. The J. L. Hudson Company employs a first-class mechanic who does nothing else but study the performance of the company's trucks.

One interesting trouble chart is illustrated in Fig. 21. Each time a mechanic makes a repair a line is drawn from the type of trouble on the list to the truck number. When three lines go to one truck an investigation is made to determine the cause. For example, in the chart the fact that Truck 7 had trouble with engine, rear springs and rear axle would seem to indicate too heavy a load was being carried, etc.

Some firms carry out a system of inspecting vehicles and giving rewards for best appearance. This has been found effective in some cases. Where elaborate bonus systems are used, it is, of course, hardly feasible. In one case awards are given on following points:

1. Inside of car	10
2. Driver's seat and windshield	5
3. Brass, if any	5
4. General condition of car outside	2
5. Condition of driver's uniform	5
6. Condition of helper's uniform	3
Total	30

COOPERATIVE AND PARCEL POST DELIVERY

The idea of cooperative or consolidated retail deliveries is not new. It has often been tried out but in few cases has it been successful. There is no inherent reason from a physical standpoint why deliveries should not be made in this way more economically than where each store maintains its own delivery system, but there are many practical objections. In the first place, there is the supposed value to the store of its own delivery service as a means of creating good will, and the

fact that the driver of the cooperative delivery wagon has no interest in any particular store. In the second place, there is a certain amount of extra delay due to sorting packages at the clearing house. Whether these objections can be overcome or not is largely dependent on the cooperation of the principal retail stores in the community.

One of the best known successful cooperative delivery systems is the Eleto Company, a private corporation controlled by Lord and Taylor and James McCreery and Company.

In Boston the Clearing House Parcel Delivery Company takes care of deliveries in the city and the outlying suburbs for many of the large retail stores. Otherwise many stores could not afford to maintain daily deliveries to distant points. Packages are delivered at an average rate of 15 cents. A quarterly audit determines the tariff which is not to exceed the 15-cent limit. Packages are billed to the stores on the count system. An overcoat might take two counts, while a refrigerator would take ten.

One important point in connection with cooperative delivery is that the store is freed from responsibility for accident from delivery vans, which sometimes is a serious item.

Parcel Post.—Undoubtedly the government parcel post system offers great possibilities in delivery service. As far as cost and methods are concerned, it is still in a formative and experimental stage. The experience of the retail stores of St. Paul with parcel post has given that city much publicity and reports are favorable as to results obtained.

The Traffic Group of the Boston Retail Trade Board made an extensive survey of parcel post possibilities and advised an extension of the government service although not considering it advisable to abandon private delivery entirely. This Committee tabulated the advantages of parcel post as follows:

1. Decrease in costs. The St. Paul merchants claim they have saved from 5 to 14 cents on approximately every package.
2. Improvement of service.
   a. More prompt delivery of parcels.
   b. Delivery to proper address of parcels incorrectly addressed.
   c. Delivery of parcels by known persons.

d. Reduction of complaints for non-delivery.

3. Protection from loss of money on C.O.D. packages.

According to one of the St. Paul stores the disadvantages are:

1. A seemingly excessive C.O.D. fee. (Charge of 10 cents plus 3 cents for money order.)

2. Inability of the postman to discuss a delivery as the store's representative.

3. Maximum on weight and size of parcels deliverable by parcel post too small.

4. Need for paying for each individual money order on C.O.D. remittances.

Probably the greatest obstacles are the disposition of the stores' present equipment and the enlargement of government facilities to take care of increased demands.

CHAPTER X

MANUFACTURING

Many of the larger department stores maintain departments for the manufacture of various articles to be sold in the store. The motives behind this assumption of the manufacturer's function are numerous. Furthermore, the reasons for different manufacturing departments in the same store are not the same. The bases of the majority of them may be found among the following:

1. Service to the customer. The optical department of R. H. Macy and Company is said to fill between 200 and 300 prescriptions daily. Free alterations is perhaps the most universal service. The aim and purpose of such manufacturing departments is to secure the customer's trade. Although some service manufacturing departments are run at a loss, it is always a moot question whether such a policy is worth while in the long run.

2. Convenience for the store. There are a great many stores manufacturing curtains and draperies, slip covers, shades and awnings. Obviously if the store is to carry such materials it should be prepared to make them fit the particular installation. For purposes of convenience many stores do this work on their own premises rather than have it done by contract.

3. Integration of functions. The movement to have goods delivered direct from manufacturer to consumer has not escaped the department store. Not content with securing goods for retail sale direct from manufacturers, some large stores have attempted manufacturing on their own account. There is no inherent reason why this should not be done successfully. The larger chain systems maintain manufacturing plants. The question is chiefly one of being able to market the output and dispose of nationally advertised goods as well.

Prevalence of Manufacturing.—The results of a study of manufacturing and repair departments by the Bureau of

Research and Information of the National Retail Dry Goods Association are instructive as showing both articles manufactured and relative order of importance. See Table II. The majority of manufacturing departments were given over to the following eight articles in their order of occurrence:

1. Curtains and draperies.
2. Dressmaking.
3. Millinery.
4. Shades and awnings.
5. Upholstering.
6. Candy.
7. Furs.
8. Carpets and rugs.

Additional items are in great variety. Several stores operate bakeries. Some maintain stationery and engraving departments. There is no uniformity, present conditions being rather the result of incidental growth than concerted action.

Typical difficulties encountered in maintaining manufacturing departments are illustrated by the experience of many stores with drapery manufacturing. There is a definite ebb period in the year when there are not enough orders to keep the workers in the manufacturing department busy. Some stores have attempted to solve this problem by manufacturing for regular stock. Others have followed out a policy of keeping a minimum force and when rushed with orders letting the surplus out on contract. As most of the business is of a seasonal nature, stores cannot provide the space nor afford the help necessary to keep the department going all the time.

Many stores give out all their work to individual contractors. Lord and Taylor has found this policy to work out well. Wanamaker, Altman, Stern, and Gimbel, however, do most of their upholstery and drapery work in their own workrooms.

The Fur Department.—Some stores maintaining fur departments not only store furs, but also manufacture and repair them. This raises a complicated problem in the matter of how expenses should be allocated. It is desirable to know whether the fur repair department returns a profit during the year, quite aside from alterations in furs made free for customers. Practice differs widely. Stores which separate their

Table II.—Manufacturing and Repair Departments in Department Stores.

(Study by Bureau of Research and Information of N. R. D. G. A. 1920)

	Over 10 Million Dollars	$7,500,000 to $10,000,000	$5,000,000 to $7,500,000	$3,500,000 to $5,000,000	$2,000,000 to $3,500,000	$1,000,000 to $2,000,000	$750,000 to $1,000,000	$500,000 to $750,000	$200,000 to $500,000	Less than $200,000	Total
Aprons				1							1
Art needlework					2	1					3
Auto Dept.						1					1
Bakery			2		2						4
Button Making							1		1	1	3
Carpets and Rugs	1		1		2	1	1	3	2		11
Candy	1	1	4		4	5	1		1		17
Carpentering			2		1	1					4
Curtains and Draperies			5	1	4	4	5	8	7		34
Clothing				1	1						2
Comforters									2	1	3
Dressmaking	1		1	1	1	6	3	7	9	3	32
Drugs		1	1		1						3
Furniture		1	1			1	1				4
Furs		2	1		3	4	3	1			14
Hospital Garments					1						1
House Furnishings								1			1
Ice Cream							1	1			2
Linen							1				1
Mattresses	1						1				2
Millinery	1		5	1	1	1	4	3	10	5	31
Moulding						1					1
Neckwear						1					1
Overalls				2			1				3
Plumbing							1				1
Photographs							1				1
Picture Frames						1	1				2
Peanuts					1						1
Shoes	1						1				2
Shades and Awnings	1		2			5	5	3	6	1	23
Stationery and Engraving		2	2			1	1				6
Shirts			1				1				2
Skates			1								1
Underwear and Negligees	2			1							3
Upholstering	2	1	4		3	4	3	2	2	1	22
Waists									2	1	3
Totals	11	8	33	8	27	38	37	29	42	13	246

fur repair department from the selling department are better able to determine whether it is profitable to maintain a fur manufacturing section or to have the work done under contract. Where departments are separated in this way, if the regular fur department wishes any repairs made free of charge to the customer, such repairs are made by the fur repair department and charged to the fur department, which must stand the loss.

Contract Departments.—Sales and expenses of contract and selling departments should be segregated on the books. The contract department should be treated as a separate and distinct division of the store, transferring to it all merchandise that is to be worked upon or sold by the employees of this department. If operating under the retail plan, this merchandise should be transferred out of the selling department at cost and should be taken into the contract department at the original cost. It is impractical to operate a contract department on a retail basis unless an accurate record of the cost of each job is maintained.

In smaller stores it is impractical to keep job cost records and to make the bookkeeping entries as would be necessary where a continuous record of gross profits is maintained. Under such circumstances, the contract department should be credited with all sales and charged with all purchases and transfers of material, labor and expense applicable to the selling department.

It frequently occurs that in competitive bidding the contract department cannot secure a price that will cover all of the expenses which might properly be allocated to this division. Most executives feel that any amount secured in excess of the actual cost of material, labor and direct expense of this department is a profit, inasmuch as it serves to reduce the necessary expense of the selling divisions.

Alterations.—The expense of maintaining alteration departments is generally pure outlay, to be included in the cost of selling the goods, and considered as a service to the customer. Whether this service is necessary or not has not yet been decided. Opinion is about equally divided. A recent questionnaire sent out by the National Retail Dry Goods

Association determined that, out of 790 stores replying, 378 charged for ready-to-wear alterations; 371 made alterations free of charge, while 41 charged for alterations on special sales goods only. Few stores placed a charge on alterations of men's clothing.

It was found that to operate an alteration department cost from 2 to 5 per cent of the total ready-to-wear sales in the average store. In some cases it was even higher. Several stores reported that, through a nominal charge for alterations, they recovered 65 to 75 cents of every dollar spent, while some made sufficient charge to cover the entire cost of the work.

In a number of cities, through local retail associations, merchants have entirely eliminated free alterations, and have successfully maintained a standard scale of alteration charges for all stores belonging to such associations.

In other cities individual merchants have made attempts to cut the cost of alterations. In one large men's clothing store, the only alterations allowed are the shortening or lengthening of sleeves and trouser legs, and adjusting the waist. The maximum allowed to be taken in at the waist is 2 inches and to be let out 1 inch. If 3 inches are taken in, it is explained that it will put the back pockets together and make a faulty job. If more than 1 inch is let out, it will make the outlet too weak.

There is, however, no unanimity of procedure. Some retailers act on the assumption that alterations are just as necessary and should be just as numerous today as when clothing models were merely measurements across the chest and from foot to shoulder. Many stores adhere to the belief that one fitting is sufficient and if other fittings are desired make a standard charge.

It is believed in many stores that a good fitter can satisfy a customer with one fitting. Many fitters are rated according to the number of fittings they find necessary. In some stores the pay of saleswomen is based in some degree on the number of alterations it is necessary to make on garments they have sold.

The belief was formerly general that garments should be

sold, regardless of size or line, simply to make a sale. But the added expense in the alteration department cut into department profits to such an extent that this policy has been largely abandoned. It is generally recognized that the efficient saleswoman will recommend only those garments which fit the customer well enough so that extensive alterations will not be necessary.

CHAPTER XI

PURCHASING STORE SUPPLIES

The functions of a supply buyer of a retail store are to buy necessary supplies, as, for example, for wrapping and packing purposes (such as wrapping and tissue paper, twine, excelsior, cases, nails, glue and cardboard boxes), stationery supplies, printed forms, automobile delivery trucks, gasoline, oil, tires, stable supplies and horse feed, window display fixtures, uniforms for delivery men and elevator operators, restaurant equipment and supplies for carpenters, painters and repairmen as well as engine-room supplies. Office supplies and equipment are also included.

The supply department also distributes them. It must keep track of all supplies and equipment used in the various departments, stock on hand and orders to different vendors.

The principal activities of the supply department are as follows:

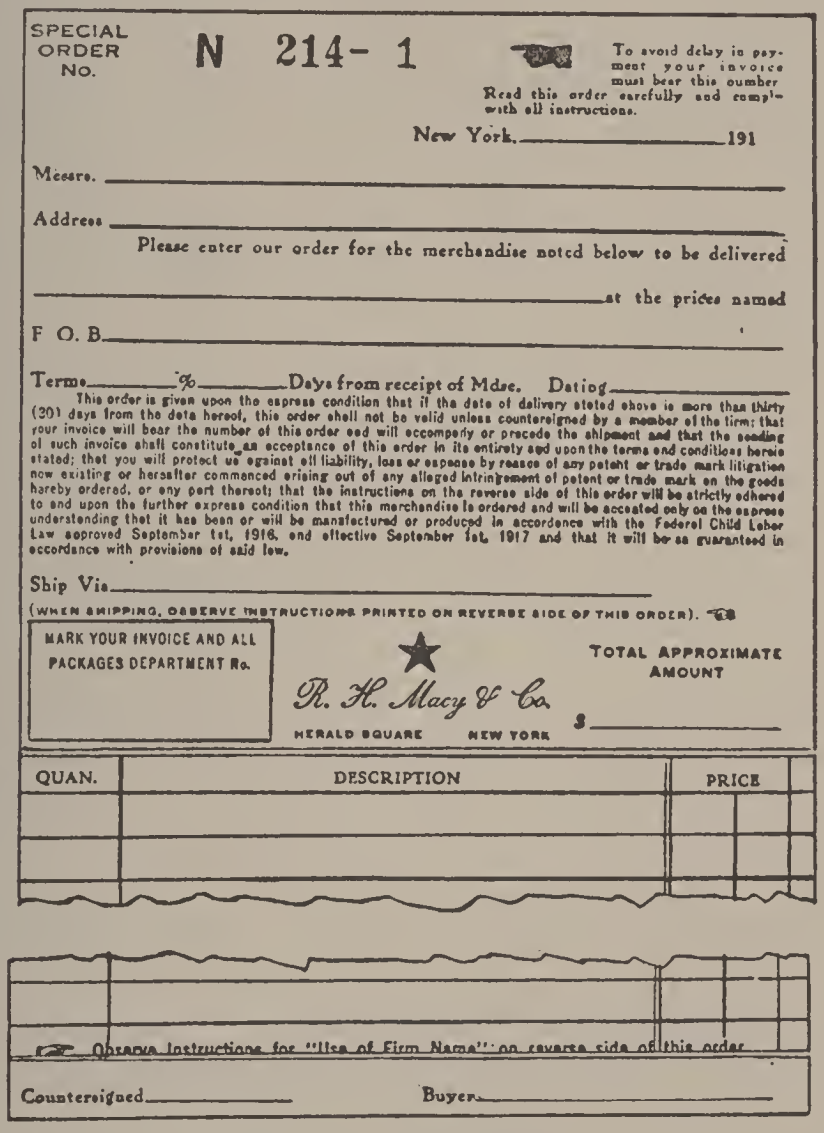
1. Maintaining correct records of stock on hand at all times.
2. Issuing all purchase orders and providing for sufficient stock to cover requirements.
3. Authorizing issue of all materials from supply department and providing a check on all supplies issued.
4. Controlling store's investment in and maintaining a perpetual inventory of the cost of all stock on hand.

The Supply Department.—In spite of the multitude of purchases required for store supplies, and the wide variety in their character, a comparatively small personnel suffices due to the excellence of the record system employed. The purchasing department at Macy's consists of five people.

The man at the head of the supply department should be of executive caliber since he has to assume the responsibility of a man handling, in some cases, a million-dollar business.

As the *Dry Goods Economist* says: "The purchasing agent must be a man who, apart from keeping a clear head under a load of detail, must be creative and constantly on the lookout for new equipment and devices which will save time and labor or give better service to the customer."

In many cases, because of the responsibility attached to the position of purchasing agents, those who have held it have



SPECIAL ORDER No. **N 214- 1**

To avoid delay in payment your invoice must bear this number
Read this order carefully and comply with all instructions.

New York, _____ 191

Messrs. _____

Address _____

Please enter our order for the merchandise noted below to be delivered

_____ at the prices named

F O. B. _____

Terms _____ % _____ Days from receipt of Mdse. Dating _____

This order is given upon the express condition that if the date of delivery stated above is more than thirty (30) days from the date hereof, this order shall not be valid unless countersigned by a member of the firm; that your invoice will bear the number of this order and will accompany or precede the shipment and that the sending of such invoice shall constitute an acceptance of this order in its entirety and upon the terms and conditions herein stated; that you will protect us against all liability, loss or expense by reason of any patent or trade mark litigation now existing or hereafter commenced arising out of any alleged infringement of patent or trade mark on the goods hereby ordered, or any part thereof; that the instructions on the reverse side of this order will be strictly adhered to and upon the further express condition that this merchandise is ordered and will be accepted only on the express understanding that it has been or will be manufactured or produced in accordance with the Federal Child Labor Law approved September 1st, 1916, and effective September 1st, 1917 and that it will be so guaranteed in accordance with provisions of said law.

Ship Via _____

(WHEN SHIPPING, OBSERVE INSTRUCTIONS PRINTED ON REVERSE SIDE OF THIS ORDER).

MARK YOUR INVOICE AND ALL PACKAGES DEPARTMENT No.

R. H. Macy & Co.
HERALD SQUARE NEW YORK

TOTAL APPROXIMATE AMOUNT
$ _____

QUAN.	DESCRIPTION	PRICE

Observe Instructions for "Use of Firm Name" on reverse side of this order.

Countersigned _____ Buyer _____

FIG. 22.—Purchasing order.

been advanced to high executive positions. Where cooperative buying of supplies is practiced, the most efficient purchasing agent is usually commissioned to buy supplies for the group.

Purchasing Orders.—Figure 22 shows the form of purchasing order used by R. H. Macy and Company. It is made out in triplicate, the original being sent to the vendor, the duplicate to the receiving department, and the triplicate being filed in the department issuing the order.

In another large store supply orders are made out on billing machines with six copies, distributed as follows:

1. To the vendor.
2. To the purchasing agent for the files.
3. To the assistant purchasing agent for expediting purposes.

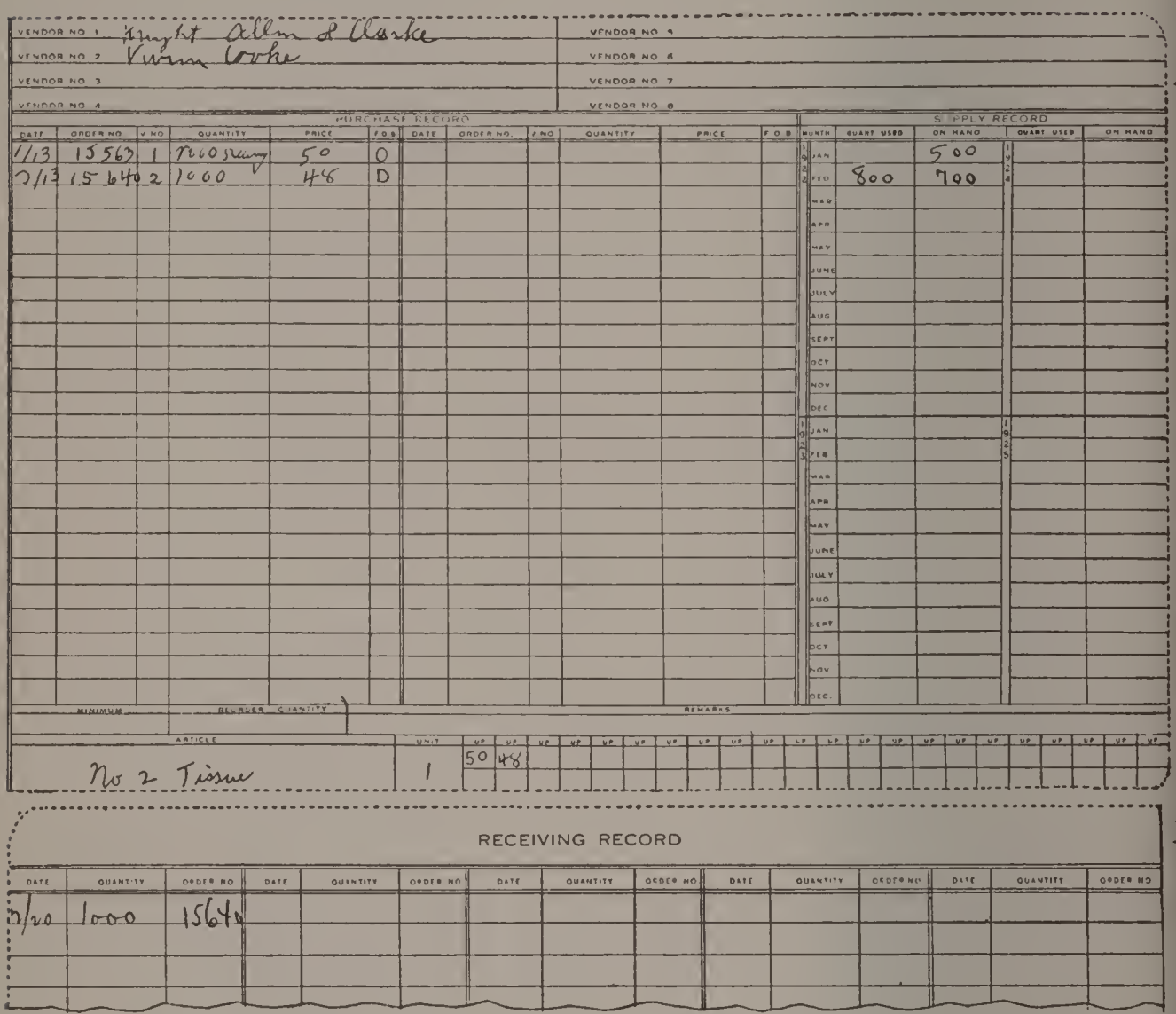


FIG. 23.—Record of perpetual inventory ("A" shows front and "B" shows back of sheet).

4. To expense department for figuring quotas and budgets.
5. To receiving department.
6. To department making the requisition.

The assistant purchasing agent in this department has very definite and important duties. He is supposed to know the exact status of all shipments expected. He should be able to give the car number of the shipment, when it was shipped, when it is expected, etc.

Each department, whether non-selling or selling, is given a budget which is made up after consultation with the head of the department. The expense department knows at every moment just how much each department has left of its supplies quota. Even the mechanical engineer in charge of the engine room knows just how much oil he is allowed. Every purchase order shows him how much he has spent and how much he has left to spend.

Inventories.—Figure 23 shows the type of form in use in one of the country's largest department stores as a record of perpetual inventory. This covers a four-year period and in many ways offers unique advantages. Instead of separate cards for purchase order entries, supply records, and receipts, all of these items are on one card, ready for instant reference.

Each card covers one item only. They are filed in a large book. To render the system even more compact, cards covering different kinds of the same articles are filed on the same page of the book. The name of the article appears at the bottom of the card so that when cards overlap, the name of the article is always visible.

Form A shows the face of the card. At the top there is space for eight different vendors, in case the manufacturer is changed for any reason, or if the same article is purchased from several manufacturers. The purchase order portion of the card contains space for date, order number, vendor number, quantity, price, and point of shipment f.o.b. The price is entered per unit for each purchase, forming a complete price record for each order.

The supply record section of the card gives, by months, quantity used and quantity on hand, also the minimum supply for the article, and the regular quantity of reorder.

Form B shows the reverse of the card. This provides space for date of receiving the articles, the quantity, and the order number.

Figure 24 shows how purchases in this same store are correlated for all departments. Each one of these cards covers a separate item, and on each card there is a column for each department. The department requisitioning supplies is charged out the cost of what it orders. Figures are totaled

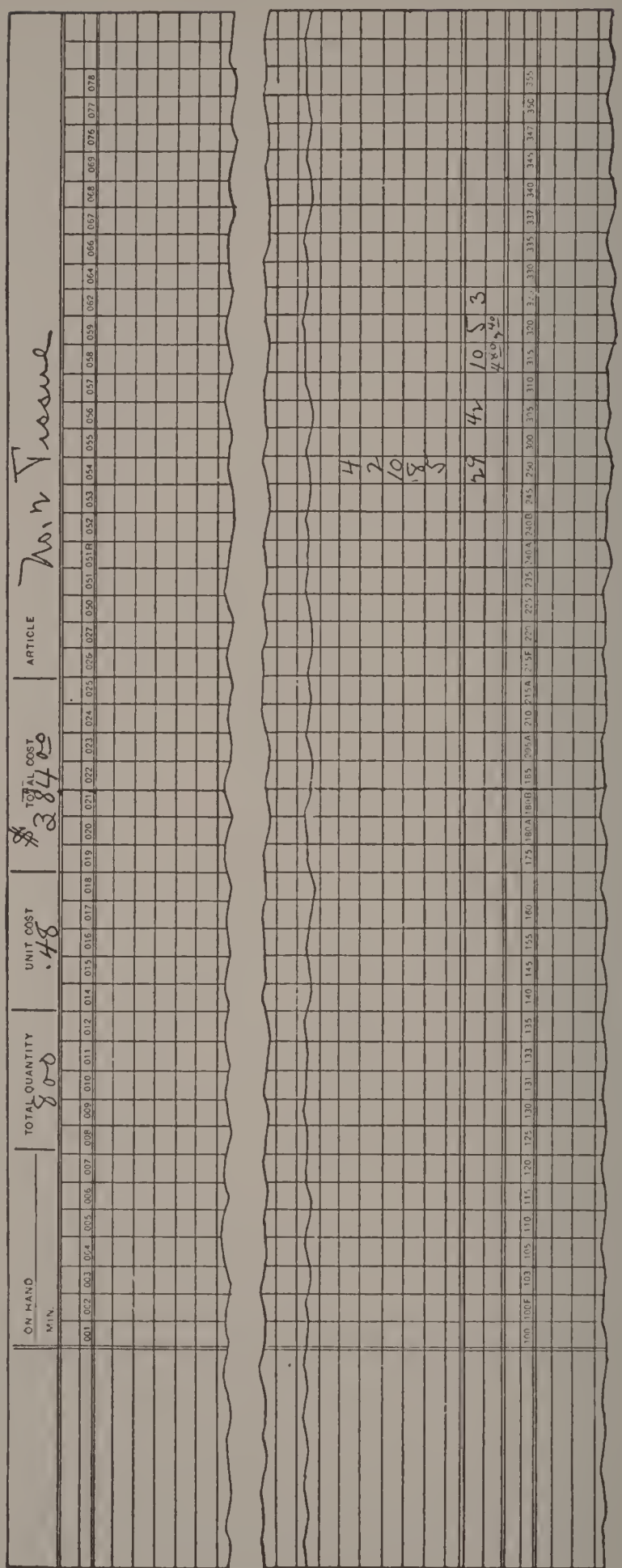


FIG. 24.—Form showing how purchases are correlated for all departments.

ance a month. Department heads can see at any moment just how their supply expenses are running.

This form has space for minimum quantity, quantity on hand, total quantity, unit cost and total cost.

In connection with unit cost, whatever is left at the end of the month, supposing next month's supplies were purchased at a lower rate, is averaged up and the department is charged at the average price.

REQUISITION TO OPERATING DEPT.

DEPT. 054 DATE 7-22 REQ'N № A 5050

QUANTITY	ARTICLE	PRICE	CLASS
4 units	No 2 Tissue		

ORDER FROM	PURCHASE ORDER No.
	SHIPPING DATE
SHIP TO / VIA	AMOUNT
FROM / F.O.B.	
TERMS / REQ'D BY John Smith	
Form 192 Rev H Co.	

FIG. 25.—Requisition blank for supplies.

Requisitions.—A typical requisition blank for supplies is shown in Fig. 25. When this form, made out in duplicate, comes in to the purchasing department, it is checked up to see whether it is in proper units and whether the department is within its quota. If everything is in order, it is sent to the supply room to be filled. One copy is kept there while the second copy comes back to the purchasing agent. The head of the department ordering authorizes all requisitions.

At Macy's there is a somewhat more elaborate system of requisitions, divided according to the character of the supply. These forms are shown in Fig. 26. The originals are 4⅛ inches

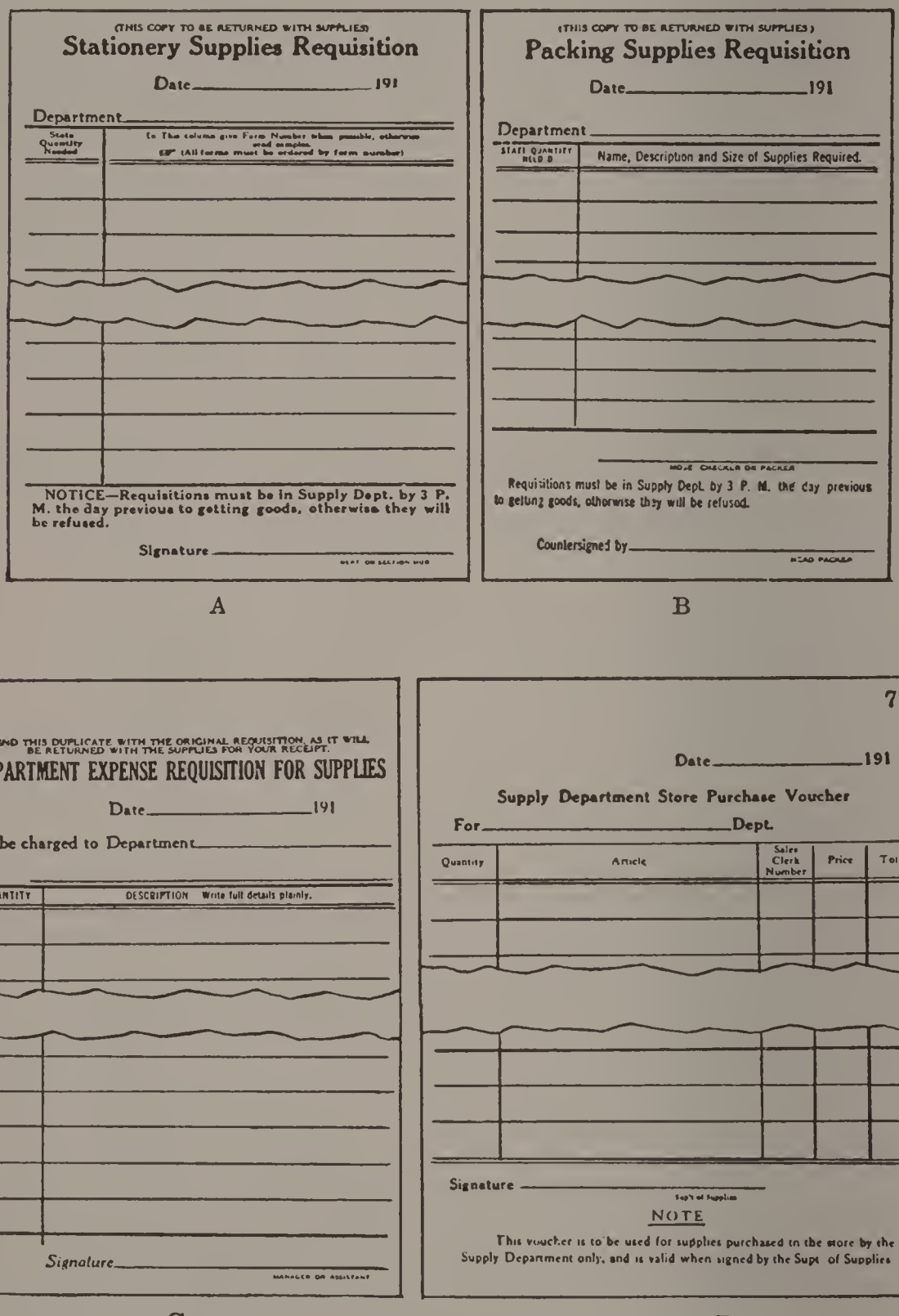


FIG. 26.—Requisition forms.

by 7 inches. On the reverse side of the originals are cautions as to use.

Form A is a supply department store-purchase voucher

which covers purchases of "supplies" made by the store within the store, that is, transfers.

Form B is a stationery supply requisition, covering requests for stationery alone. They are filled from the supply department's reserve stock.

Form C is a packing supply requisition, covering orders for packing material only. These are also filled from the supply department's reserve.

WRAPPING UNIT 1.

Date		Boxes			Paper			Twine Units			Total Charge
		D.	F.	M.	D.	F.	M.	D.	F.	M.	
1		2	1	6							
2		8	2	10							
3		9	1	11							
5		14	1	6							
6		etc.	etc.	etc.							
etc.											
	Total Used	33	5	33				33	5	33	
	Amount of Supplies.....	30	.00						2.00		
	Dept. Supplies (Prorated)	13.94	2.12	13.94				.93	.14	.93	32.00
	Dept. Salaries (Prorated)	5.58	.84	5.58							12.00
	Total Expenses.....										44.00

Wrapping unit 1 would keep a tally from the sales of the number of bundles wrapped for each department it handles. By collecting the supply requisitions the accounting division can charge each wrapping unit with the exact cost of all wrapping supplies.

FIG. 27.—Form for prorating wrapping charges.

Form D is a department expense requisition for supplies. This form covers requests, apart from those for stationery and packing material, which are filled from the reserve stock.

Where supplies are requisitioned for a wrapping desk serving several departments, a special form is necessary for the proper prorating of these supplies to the various departments. In Fig. 27 a form designed for such a purpose is illustrated. The wrapping unit keeps a tally from sales of the number of bundles wrapped for each department handled. By collecting the supply requisitions, the accounting division can charge

each wrapping unit with the exact cost of all wrapping supplies.

Cooperative Buying of Supplies.—A disadvantage which the smaller store always labors under is the inability to secure discounts which the quantity purchases of the larger stores obtain. Therefore, it is frequently possible for such stores to unite in making their purchases of supplies in order to secure the advantages of mass buying.

This practice is not confined to smaller stores, however. The Retail Dry Goods Association of New York City has a membership of the majority of the important retail dry goods stores in the city. The supply buyers meet periodically to discuss individual store needs. Notes are exchanged as to whether it would be wise to purchase certain supplies or defer the purchase until a more advantageous time. In this way it is possible to reach a collective market judgment.

The secretary of the association is commissioned to buy the supplies which the purchasing agents of the stores have agreed to buy jointly. He is able to secure the lowest possible market scale, since he represents such a large purchasing power. This practice also frees the purchasing agent of the member stores from a great deal of dickering with manufacturers and agents.

SECTION IV

STORE ORGANIZATION AND MANAGEMENT

CHAPTER XII

ORGANIZATION

Although a system of organization is as much needed in the small store as in the large, the want is not felt so acutely until differentiation of functions and complexity of detail make it compulsory. In the evolution of the department store, organization has played a subordinate role until recent years. As the store grew, arrangements were made to take care of new and enlarged functions as seemed best at the moment. The result was a working but not an efficient organization. At present the application of scientific methods of management to retail stores has brought to the front the organization and the problems connected with its theory and application.

THEORY OF ORGANIZATION

It is rare to find two stores in which the methods of carrying out the organization plan have resulted in the same arrangement. This difference is due to many factors, chief among which are the size of the store and the character of the merchandising activity. The smaller the store, the less differentiation of functions is necessary. The more widely scattered the store's activities, the more complex will be the plan of organization. Policy also plays an important part. The introduction of the so-called planning department into the larger stores has resulted in a greatly increased efficiency in organization layouts.

The Organization Chart.—The organization plan is generally expressed by means of the organization chart. As one authority says: "An organization in which executives and employees do not know or do not clearly see the relationship of their work and duties to the whole business scheme, is like a football team without a formation and without signals, each man playing a lone hand and often at cross purposes with

his team-mates." The organization chart pictorially sets forth the lines of authority from the president down to the errand boy. The duties and responsibilities of everyone in the organization are clearly set forth.

The practical advantages of the organization chart to the store are many, among the most important being:

1. Allocation of responsibility. Stores without organization charts are likely to contain many cases of over-lapping of functions and duplication of effort. This is due to their loosely jointed structure. The organization chart definitely places responsibility where it belongs.

2. Coordination of functions. In a large store it is frequently difficult to visualize the correct relation of one department to another, or of one individual to another. A carefully planned organization chart will do away with this difficulty.

3. Scale of promotion. Opportunities for advancement are often outlined.

4. Accounting. For accurate prorating of expenses, etc., the accounting department should know exactly where to charge expenses.

5. Job analysis. The constantly growing importance of personnel selection and training is tied up with the organization chart which divides store activities into divisions, departments, sections, and units.

Types of Organization.—The first necessity for a sound organization plan is that it be definite; the second is that it must be coordinated with methods and systems now in use; and the third is that it must be controlled, for no type of organization will run of itself.

There are three types of organization in general use—the military, the functional, and the departmental.

1. *Military.* The military type of organization consists of one-man control throughout. Whatever activities he delegates, the control remains in his own hands. All old-type retailing establishments belonged to this category. Rule-of-thumb methods predominate. The owner of the establishment is in himself merchandise manager, employment manager, store superintendent, etc.

Fortunately the military type of organization in the dry goods field proved inadequate. The lack of cooperation and coordination inherent in such a plan prevented any wide application to the dry goods store.

2. *Functional.* The functional type of organization came simultaneously with "Scientific Management," and was originated by Frederick W. Taylor. The theory is that each man should be a specialist and have control of work coming within the classification of his specialty. In some cases the functional organization plan has been very successful; in others it has failed. Too much conflict of authority makes it difficult to decide who is responsible. To apply the functional organization to a store it is necessary to combine it with departmentization.

3. *Departmental.* As its name implies, the departmental organization plan segregates the different divisions of the store according to the type of work. Tendency is for decentralization of control, each department forming a virtually self-governing entity, subject to the general supervision of the management. The defect most commonly encountered is lack of coordination and cooperation, both factors vitally necessary for efficient merchandising. This defect, however, can be corrected by proper methods of coordination.

From the foregoing discussion it is evident that the type of organization which best suits the retail dry goods or department store is one which takes into account both the function and the geographical location, or department. That is, the functional organization must be departmentized, and the departmental organization functionalized. It is only through some such expedient that proper coordination can be secured, with a clean-cut division of authority.

It is difficult to give any rules or even advice as to the proper form of organization for a particular store. In each case this can be done only after intensive study of the specific conditions. The type and the size of the organization are largely a matter of the individual needs of each store. When the small store feels that the work is expanding so that extra buyers, merchandise men, or someone to devote his entire time to the supervision of the personnel are necessary to

the efficiency of the organization, then the time is opportune for considering a more definite organization plan.

The same type and size of store will often have very different organization plans, yet each be highly successful. As an example of this in the specialty field, Saks and Company of New York does a very efficient business with a small number of store executives. On the other hand, Wm. Filene's Sons Company of Boston has an extensive executive force, carefully functionalized and departmentized. Yet the store of one type may be as efficient as the other. In other words, while there is as yet no standard organization plan which will fit every store, yet the general features, as illustrated in these pages, can be used to construct a plan for the store in question.

APPLICATION OF ORGANIZATION

Executive Control.—The administrative control of the average dry goods and department store is normally vested in a board of directors, elected by the stockholders. It is unnecessary to discuss the small store owned and operated under one-man control in which organization has not yet become a pressing problem. Furthermore, the partnership, although still in existence, is subject to so many disadvantages that its use is not advocated. Evidence is strong that the only practicable form is the corporation, created by charter according to statutory laws. These differ somewhat in different states.

Stockholders may be few or many. In most cases, stock is closely held, but some concerns follow out a policy of broad distribution of stock, especially among employees. In the majority of states it is necessary for directors to be stockholders as well. All necessary information concerning corporate rules and regulations may be obtained from the Secretary of State.

The stockholders elect the board of directors, the election being held annually. The board of directors elects the officers of the corporation.

The usual officers of any corporation are the president, the vice-president, the secretary and the treasurer. This is true

of the retail store, each officer, in addition to his corporate position, usually holding an executive position in the store, although such procedure does not necessarily follow.

Administrative Control.—The store may be run by the board of directors, an executive board, a store council, etc., or it may be run by one official usually given the title of general manager. That is, store activities may be controlled either by the committee plan or the individual executive. In some stores there is both an executive board and a general manager.

The executive board of L. Bamberger and Company is composed of

Two members of the firm
Four merchandise managers
The publicity director
The superintendent of the store
The director of personnel.

The store council of R. H. Macy and Company consists of

Three officers of the organization
The general manager
The controller
The advertising manager
Five buyers.

The executive committee of Wm. Filene Sons Company includes

The president of the company
The general manager
The store director
The director of finance and accounts
The director of merchandise and publicity.

In the case of Wm. Taylor Son & Company, the board of control operates only in the absence of the general manager, and is made up of the

Merchandise director
Store director
Controller.

Obviously, the smaller the store the fewer executive heads necessary, although the functions will remain. Consequently,

in the following pages, the functions will be treated. Whether these can be combined or not depends on the amount of work which is attached to each function. An efficient merchandising plan is built around positions and not around individuals.

The general manager in large stores holds an entirely administrative position. In the smaller store he may combine some of the subordinate executive and managerial functions such as those of advertising manager or store superintendent.

The general manager of R. H. Macy and Company is charged with engaging, training and educating employees. He regulates salaries, controls transfers and discharges, enforces all rules and regulations. He decides whether or not merchandise is returnable for refund, exchange, or credit. He adjusts claims with customers. He is a final court of appeal for employees who feel they have been unfairly treated.

Store Organization.—In the average store, the organization is divided into four main sections, each managed by an executive. These are as follows:

1. Merchandising—the Merchandise Manager.
2. Publicity—the Advertising Manager.
3. Store Service—the Superintendent.
4. Recording and Control—the Controller.

The above system is by no means universal. In the Filene organization, merchandise and publicity are combined. In the A. I. Namm and Son organization, the main divisions are termed finance, service, merchandising, and sales. Here, publicity is a sales function. The Jordan Marsh store has only two main divisions, merchandise and non-merchandise, with four subdivisions under each. The sales, publicity, merchandise service, and manufacturing departments come under the merchandise division. Service, maintenance, office management and personnel come under non-merchandise.

Merchandising.—The merchandising section of a store is ordinarily in charge of a merchandise manager. To him all department buyers are responsible. He also plans for the securing, the storing, and in many cases the actual selling of goods. He is one of the most, if not the most, important executive in the store.

In regard to the handling of sales there is a division of opinion as to whether the merchandise manager should be in sole charge or whether there should be a sales manager as well, either independent of the merchandise manager and answerable only to the general manager, or subordinate to the merchandise manager. If there is a sales manager, it should be his duty to work side by side with the merchandise manager and the buyers in order to correlate as efficiently as possible the buying and the selling of the goods purchased. It is difficult to differentiate the sales manager from the advertising manager. Frequently he holds both positions.

Assistant merchandise managers, or group merchandising managers, as they are frequently called, hold semi-administrative positions under the head merchandise manager. The modern tendency is to place a group merchandising manager over several buyers of related departments such as women's apparel, men's apparel, etc. These assistants analyze sales figures and assist in laying out merchandising policies.

The buyer is usually in charge of a department or perhaps several closely related departments. In the smaller stores he may have control of a considerable number of departments. The position of buyer carries with it a great deal of responsibility in the average store. In addition to being allowed a budget from the merchandise manager, buyers have a certain amount of money for emergency purchases, made on their own responsibility. For greatest efficiency buyers must be at all times in close touch with salespeople and with buying centers.

The buyer is largely responsible for the *esprit de corps* and efficiency of the department over which he or she is in charge. Many buyers superintend personally the preparation of advertising copy, layout of stock and window display. The buyer also has a great deal to do with training the salespeople in knowledge of merchandise, etc.

The head of the comparison department in the larger stores is regarded as important in maintaining competitive merchandising efficiency. The comparison department is responsible for follow-up of prices compared with other stores through a force of shoppers; also responsible for follow-up in the home

store in matters of service and following out of store policies.

It may also be responsible for the follow-up of foreign merchandise to see that reorders are placed in good selling lines.

The Jordan Marsh Company has a promise department which is responsible for the follow-up of all promises made to customers in connection with the filling of orders; for seeing that merchandise reaches the customers within the promised time or that the customers are notified in case goods cannot be secured within the estimated time. It is also responsible for the control of wants turned in by salespeople to buyers when stock is short, or when merchandise not carried in stock is requested by customers.

Manufacturing departments are ordinarily grouped under the various merchandise sections to which they normally belong.

To sum up, the merchandising section is concerned mainly with buying and selling the goods, with the following organization:

1. The merchandise manager.
2. Assistant or group merchandise managers.
3. Buyers.
4. Assistant buyers, aisle managers, etc.
5. Salespeople.

In addition, there are a number of comparison shoppers and perhaps a group of manufacturing departments.

Publicity.—Publicity is ordinarily in charge of the advertising manager. It is his duty to devise ways and means of bringing the customers to the store. Although he must work in the closest cooperation with the merchandise manager he is rarely subordinate to him, usually having co-equal authority.

There is a great deal of financial and statistical work to be done in estimating the merits of various media of publicity used, much budgeting of advertising appropriations, much haggling over space, and little actual writing of advertisements so far as the advertising manager is concerned.

Sometimes, although not always, window display is under the control of the advertising manager.

The assistant advertising manager takes care of a portion of the detailed work.

Copy writers usually write for an assigned group of departments. They consult with buyers about make-up of advertisements, prices, materials, styles and other points to be featured. Special posters and booklets, house organs, etc., may come to the copy writers.

The position of display experts is not standardized in the store organization, being partly a merchandising and partly an advertising function.

Store Service.—The store service section is usually in charge of the store superintendent. The many and varied duties are largely the result of the store's growth. Before the day of the educational training of salespeople, the task of engaging help was entrusted, along with other miscellaneous jobs, to the store superintendent, and there it stays. A few stores have revised the duties of store superintendents, but the majority of stores classify his work under three headings:

1. Care of building and equipment, receiving, etc.
2. Personnel.
3. Service to customers.

1. The care of building and equipment is usually entrusted to a mechanical superintendent who takes charge of engineers, porters, electricians, carpenters, painters, night watchmen, repairs, replacements, laundry, etc.

The traffic manager, or someone with the duties of traffic manager without the title, takes charge of receiving, marking, stockrooms, warehouse, and imports.

2. Under personnel, the average organization includes several departments, taking care of employment, training or educational, and social or welfare work.

The employment manager not only hires and discharges, but also superintends promotions, salaries, and bonuses.

The educational director is concerned with training and following out a store system.

The social director directs welfare work and is in charge of employees' restaurants, reading rooms, hospitals, etc.

3. Service to customers varies, naturally, with the policy of the store in this respect. Nearly every store will have the

delivery problem. Adjustments and complaints also will have to be provided for.

The research department, although its activities are store-wide, is ordinarily placed under the store superintendent.

The activities of the store service department may be summed up as follows:

Receiving Department
- Receiving
- Marking
- Stock room
- Warehouses
- Buying rooms
- Custom House

Inspection Department
- Inspection
- Packing
- Collecting
- Routing
- Cashiering

Delivery Department
- Automobiles
- Garages
- Parcel post
- Freight
- Express

Adjustment Department
- Complaints
- Credits
- Refunds
- Repairs
- Accommodations

Correspondence Department
- Correspondence
- Stenography
- Mail distribution
- Mail and telephone orders
- Filing

Planning Department
- Store studies
- Job analysis
- Wages plans
- Etc.

Employment Department
- Applications
- Employment
- Salaries
- Timekeeping
- References
- Promotions
- Discharges

Training Department
- Store system
- Salesmanship
- Errors

Social Service Department
- Library
- Employees' social activities
- Manager's restaurant
- Absentee follow-up
- Entertainments

Health Service Department
- Medical clinic
- Dental clinic
- Chiropody
- Physical training

Building Department
- Light, heat, and power
- Elevators
- Telephone
- Repairs
- Ventilation

Equipment Department
- Store arrangement
- Fixtures
- Supplies
- Salvage

Recording and Control.—The functions of the store controller have never been definitely set forth, but in general they cover the financial operations and accounting, together with full supervision of the office force. He also controls by schedule all buying, expense, and profit. Frequently the controller is in charge of the statistical department.

The controller is one of the most important executives, inasmuch as he is, in many instances, financial advisor of the firm. His breadth of vision in all cases should be unhampered by the bookkeeping detail which so often renders him a mere routine machine.

In some stores the store superintendent is entrusted with duties which in other stores are assigned to the controller, such as office management, statistics, research, etc. But in all cases the following functions are part of the controller's section:

Control Department
- Buying schedules
- Expenses
- Profits
- Inventories

Order and Invoice Department
- Orders
- Invoices
- Express charges
- Freight charges
- Claims

Accounting Department
- General accounts
- Bank balances
- Retail invoicing
- Sales auditing
- Cash control
- Payrolls

Disbursing Department
- Accounts payable
- Check payments
- Cash discounts

Expense Department
- Statistics
- Taxes
- Insurance
- Real estate
- Legal matters

Credit Department
- Accounts receivable
- C.O.D.'s
- Collections

CHAPTER XIII

MANAGEMENT

The organization plan is the motivating force in store management. But it is possible to have both good plans and bad. For many years only those plans were used which had proved reliable in the past. Finally, it was realized that study and analysis of management problems as applied to store activities would allow the formation of new plans, the results of which in action could be predicted with astonishing accuracy. Hence the planning department has come into being as a means of creating and carrying out plans as applied to all forms of store activity.

The Planning Department.—Only the larger stores are in a position to maintain a specialized department for making plans and studying more efficient methods of carrying out present activities. But in each organization there is room for an individual whose duty it will be to coordinate and correlate store policies and plans. The need of such an individual or department is particularly felt in the non-selling departments, as selling activities already have been highly developed in many cases.

Planning should be carefully distinguished from research activities. Although the two inevitably overlap, research activities are generally concerned with merchandise, while planning is ordinarily confined to methods.

The planning department of the Jordan Marsh Company is divided into two sections, the creative and the management.

The creative section consists of:

1. A Production man who supervises time studies, motion studies, standardizing of operations, etc., in other words, methods to increase productive capacity.

2. A System man who investigates systems already in use preparatory to standardizing the work.

3. An Organization man who makes out charts, prepares schedules of work, etc., as called for by the production man.

The management section supervises methods already installed, and the work consists of checking production records, bonus and salary systems, forms, supplies, etc.

The functions of the planning department at R. H. Macy and Company's are similar to this, although methods of operating are somewhat different. In both cases the planning departments are in close touch with the store executives and all work is done with their full knowledge and approbation.

Filene's and R. H. White Company both have planning departments, and so do many other firms.

Planning Department Methods.—The planning man should make a preliminary survey of each department under consideration, first as a whole and then of the specific sections. Both the worker and the work are analyzed. Then each job is surveyed and standardized. The workers keep their own time and set their own jobs, keeping a journal, however, of all activities. The planning department fits the schedules of fellow workers together.

Physical layout of the department is altered to secure best results. The clerk at each desk acts as understudy for the next one, moving up automatically when a vacancy in the department takes place. Salaries are arranged according to positions, bonuses according to quantity or by time during which standard rate of performance is maintained.

One of the most important functions of the standardizer is a confidential analysis of the departmental management, with a view to determining whether the executives themselves are capable. The object is to have leaders rather than drivers. The Jordan Marsh Company reports that invariably departments are doing the same work as before standardization in much less time, due to simpler methods and increased energy.

OFFICE MANAGEMENT

Office organizations differ widely, including, as they do, work for all divisions of the store. According to Merrill Osgood's (Jordan Marsh Company) classification, there are five different types of office work:

1. Straight measured production, such as typing, operating an adding machine, etc.

2. A daily schedule job where a clerk does a certain thing every day.

CORRESPONDENCE AND MAILING
STENOGRAPHIC DEPT.
PRODUCTION RECORD

MORNING

DAYS	LET. NO.	TIME START	TIME FINISH	ERROR	BON AMT.	O.K.	IDLE TIME	EXTRA WORK
MON	80	9:00	12:30	3	25	H		
TUES	80	9:00	12:30	4	15	H		5 over
WED	80	9:00	12:30	4	25	H		
THUR	80	9:00	12:30	6	25	H		
FRI	80	9:00	12:30	3	25	H		6 over
SAT	80	9:00	12:30	4	25	H		
TOTAL	464	AM. BONUS TOTAL 1.40						

NAME E. McCarthy

AFTERNOON

LET. NO.	TIME START	TIME FINISH	ERROR	BON AMT.	O.K.	IDLE TIME	EXTRA WORK
80	1:30	5:30	5	25	H		
80	1:30	5:30	4	25	H		7 over
80	1:30	5:30	3	25	H		
80	1:30	5:30	4	15	H		7 over
80	1:30	5:30	2	15	H		16 over
80	1:30	5:30	3	25	H		

P.M. BONUS
461 TOTAL 1.30

TOTAL BONUS TO BE PAID $2.70

MORNING

DAYS	LET NO.	TIME START	TIME FINISH	ERROR	BON AMT.	O.K.	IDLE TIME	EXTRA WORK
MON	80	9:00	12:30	6	25	H		4 over
TUES	80	9:00	12:30	7	25	H		
WED	80	9:00	12:30	4	25	H		
THUR	80	9:00	12:30	6	25	H		
FRI	80	9:00	12:30	7	25	H		
SAT	80	9:00	12:30	5	25	H		
TOTAL	476	1.50 H						

NAME M. Wenners

AFTERNOON

LET. NO.	TIME START	TIME FINISH	ERROR	BON AMT.	O.K.	IDLE TIME	EXTRA WORK
80	1:30	5:30	5	25	H		
80	1:30	5:30	4	25	H		
80	1.30	5:30	5	25	H		
80	1.30	5:30	4	25	H		3 over
80	1:30	5:30	7	25	H		
80	1:30	5:30	3	25	H		
481		1.50					

TOTAL BONUS TO BE PAID $3.00

MORNING

DAYS	LET. NO.	TIME START	TIME START	ERROR	BON AMT.	O.K.	IDLE TIME	EXTRA WORK
MON	62	9:00	12:30	4	10	H		2 over
TUES	48	9:00	12:30	2	-	H		
WED	70	9:00	12:30	4	15	H		
THUR	70	9:00	12:30	1	15	H		9 over
FRI	70	9:00	12:30	4	10	H		8 over
SAT	70	9:00	12:30	4	15	H		
TOTAL	371	.65 H						

NAME B. Gregory

AFTERNOON

LET NO.	TIME START	TIME FINISH	ERROR	BON AMT.	O.K.	IDLE TIME	EXTRA WORK
70	1:30	5:30	3	10	H		9 over
70	1:30	5:30	1	10	H		10 over
71	1:30	5:30	3	15	H		
8	1:30	3:45	1	-	H		Mail Outs 2 special letters
60	1:30	5:30	4	15	H		
70	1:30	5:30	2	10	H		10 Left Over
337		.60					

TOTAL BONUS TO BE PAID $1.25

FIG. 28.—Planning of work in stenographic department.

3. Daily, weekly and monthly jobs, which include mail clerks, credit application clerks, ledger clerks, statistical clerks, and so forth. A worker will have certain things to do each

CORRESPONDENCE AND MAILING DIVISION

Stenographic Department
Distribution of Work Scale

Total No. of Letters	*Class A*	*Class B*	*Class C*
Over 160	80	80	Remainder
160	80	80	0
Between 140 and 160	70	70	Remainder
140	70	70	0
Between 120 and 140	60	60	Remainder
120	60	60	0
Below 120	60	Remainder	0

Bonus Rules

MORNING AND AFTERNOON TYPING

No.	*Errors Allowed*	*Bonus Paid*
60	4	10
70	6	15
80	8	25

EXTRA LETTERS

The amount of letters above a standard amount is held over as a credit until the total amount of letters received plus amount held over equals or exceeds the net standard amount (Standard amts. 60–70–80). When this addition is possible, the bonus for the Next Standard is given to the typist. (Amt. held over is to be written in red ink.)

Example:

Monday	Tuesday	Wednesday	Thursday
78—Bonus .15	78—Bonus .25	74—Bonus .25	74—Bonus .15

Postal Cards and Forms—4 equal one letter

If total of letters is above 160

A. This sort of work is to be done by Class C

If total is below 160

A. Cards and forms are to be divided among Class A and B

METHOD OF FIGURING ERRORS

A. Wrong Name
B. Wrong capital or small letter
C. Wrong use of shift key
D. Wrong story or paragraph
E. Omitting Future Date if marked
F. Transposition of letters in a word
G. Untidy letter, consisting of unclean erasures, poor spacing, uneven indentation and alignment

Errors Which Are Allowable and Not Figured

A. Wrong punctuation
B. Misspelled word if misspelled in original
C. Omitted work if omitted in original story

Sten. Dept. Head

1. Report to Div. Mgr. or Asst. before removing a girl from regular work for special rush typing work.
2. Report to Asst. Div. Mgr. each night
   a. No. of absentees
   b. Amount of work held over *per girl* and *total*

FIG. 28A.

day. For example, quota bonus clerks the first of the month figure commissions, then cost of departments, then salary cost, and finally quotas. Payments must be made at a certain time during the month.

4. Definite task jobs are those where somebody has to do certain things each day, such as collect mail or parcels.

5. Supervisory clerical jobs, excellence in which is dependent upon work obtained from subordinates.

The Stenographic Department.—The stenographic department is but a small division of the office force in a department store, but it is essential that it function smoothly. Therefore, by establishing a schedule of work which must be finished on time, efficient results may be obtained.

Figure 28 illustrates the work of the planning department of Jordan Marsh Company in the stenographic department. The work has been divided according to the various classifications. A definite scale of bonus rates has been decided upon, totally distinct from salary. Each girl has the opportunity to earn something extra every day, as follows:

65	letters	10 cents
78	letters	15 cents
90	letters	25 cents

This division of the bonus into three separate schedules makes it possible for girls to earn something extra when work is comparatively light, such as during rainy weather. Each girl's record is posted weekly in graphic form.

Mail.—The handling of mail is always a vital problem in a department store. Mail may usually be classified under three headings:

1. Personal mail. This includes all mail addressed to individuals or to departments. This mail need not be opened at all in the mailing department but grouped together and classified later.

2. Cash mail. All mail accompanied by cash falls in this category.

3. Reading mail. All mail addressed to the firm which must be read by the mailing department, and then forwarded to its proper destination, is here included.

1. Personal mail will include, of course, replies to inquiries sent out by members of the firm and other executives, and a notation requesting answers to be addressed to the individual or to the department will aid considerably in reducing lost motion in this work.

When writing for samples or any literature which will probably come under separate cover, the correspondent should advise the sender to address it as above mentioned, either to the individual or to the department.

In some stores, the policy of the management is against having any mail addressed to individuals and there of course the above suggestion could not be carried out. Where, however, there is such a multitude of departments, as in a large retail store, it is of much help in expediting the distribution of mail to have it addressed to particular individuals or departments.

In stores where considerable mail-order business is conducted, the store's correspondents sometimes assume fictitious names so that in the event of any of them leaving the store the work can be carried on by their successors without interruption. For example, the personal shopping bureau maintained by Best and Company is in charge of "Dora Meade," a name which remains the same no matter what the real name of the correspondent may be.

2. Cash mail forms a considerable portion of the incoming correspondence, and may be subdivided into mail-order cash and bookkeeping cash, or payments on account.

Mail-order cash is accompanied by orders for some specific merchandise. The cash can either be retained in the mailing department and deposited in bulk, credit being allowed to the respective departments furnishing the merchandise, or the cash and mail can be sent direct to the departments concerned. The procedure in this matter depends entirely on the amount of mail and business transacted.

In both cases, accurate records should be maintained showing the sender of the remittance, the amount received, and other necessary details. These records are usually kept in an ordinary book or ledger.

Bookkeeping cash or payments on account are usually ac-

companied by a statement. These may be payments in full, payments on instalment, payments from which a part of the bill has been deducted owing to disputed charges, returned goods, etc.

As with mail-order remittances, bookkeeping money may be sent direct to the cashier, to the bookkeeper, or to the department concerned, according to the method prevailing in the store in question. All cash received should be recorded, however, both as to sender and as to amount.

3. Reading mail probably constitutes the most important division in the average store. Mail addressed simply to the



FIG. 29.—Type of return envelope for use of customer.

firm without any outward form of identification must be opened and read by the mailing department, and marked for the attention of the person or department concerned.

Many stores enclose envelopes with their monthly bills which are recognized by the mail clerk and sent unopened direct to the bookkeeping department. The difficulty with the average return envelope is that many customers cast them aside and enclose remittances in envelopes of their own. Rogers Peet Company use the form of envelope illustrated in Fig. 29, its unique character causing the majority of customers to use it in enclosing their remittances.

Special envelopes can be used successfully by the employ-

ment department in writing for references and by the credit office in its correspondence, and other departments which systematically send out matter requiring replies.

The greater part of the unmarked mail will fall under complaints of service or of bills, inquiries, information for merchandise, and miscellaneous requests.

MANAGEMENT METHODS

The qualifications of a store executive are summed up by Wm. Filene's Sons Company in the following sixteen points:

1. Planning and organizing the work of his department so that it runs as smoothly as possible.

2. Making sure that the worker knows what his job is and what is required of him.

3. Getting his workers together as a group and giving due weight to their opinion in planning work.

4. When the worker knows his job, holding him to high standards and throwing responsibility back upon him. Workers respect the executive who insists upon good work. They also wish to have the satisfaction of doing their own jobs well. If the workers do not get this satisfaction in their work, they will find their interests outside and will do only what is necessary to "get by" on their job.

5. Setting standards by group action. After the group has agreed to the kind of job to be done they will back the executive in his stand for having the work well done by all members of the group. Group discipline is the most effective form of discipline.

6. After an agreement has been reached, following it up consistently for a long enough time to see that it becomes a matter of habit. Good habits once formed are as hard to break as bad ones. Many times, however, a good plan is started but allowed to fall into disuse before the habit is formed, for lack of executives to follow up.

7. Letting a worker know when he is "falling down" in his work. It is no kindness to pass over poor work, except occasionally when the executive knows that it was caused by illness. In correcting mistakes the executive should be careful not to nag.

8. Commending good work. People like this recognition.

9. Absolute fairness. Workers appreciate an executive who has no favorites and who does not try to "put anything over" on them.

10. Treating people as human beings. Sympathy in small worries should be appreciated, but it should not be carried so far as to cause lowering of standards.

11. Readiness to receive, act upon, and give credit for suggestions made by workers.

12. Willingness to explain why certain things are done. When it is impossible to remedy certain conditions they will be less annoying if the workers understand the situation thoroughly. The executive should remember, however, that he should try in every way to remedy bad conditions. One effective method of doing this is through the executive group.

13. Variety in handling workers. This keeps up interest and increases the effectiveness of executive control.

14. Being careful to hold no prejudice. The future of a worker has often been ruined by passing the story of his mistake from executive to executive until he had no chance anywhere.

15. Right placement. Many a worker who is a failure in one job may be a great success when working under different conditions. The executive who studies his people makes full use of this method for securing both good work and satisfied workers.

16. Resourcefulness in meeting emergencies. This is absolutely necessary to hold the respect of subordinates.

Manuals.—The first important factor in management is the plan which permits an efficient organization.

The second important factor is the character of the executive.

The third important factor is the mechanical method by which employees' duties, rules and regulations are outlined. Definite written standards set forth by means of manuals of different kinds for different departments or duties permit standardization of method.

In the first place, there are general manuals setting forth

rules to be observed by all employees, and other regulations applicable to the store at large.

The rest of the manuals may be divided into three classes:

1. Office manuals.
2. Service manuals.
3. Store manuals.

All manuals are best formulated after careful study of duties and personnel, preferably through the planning department. The manual then sets forth the standard practice on each point.

The General Manual.—General manuals are aimed to give all members of the store organization the essential rules and regulations governing the relations of the management and the employees. As it is expressed by Marshall Field and Company:

> We wish you to see, back of these rules, our earnest desire to conduct this great institution in the most harmonious manner; to give you the benefit of long experience; to save you the retracing of unguided steps; to enable you to grow in the knowledge of sound business principles and thus to become a credit to yourself and to the house.

Although the contents of manuals are not standardized, the general rules and regulations are ordinarily much the same, the differences consisting of details. The following table of contents is arranged in alphabetical order and contains a compilation of general rules and regulations:

Absences. Since punctuality and regularity of attendance are especially important in retail stores, the manual contains instructions for notification in case of absence and statement of penalties for unexcused absences.

Accidents. All accidents should be reported immediately, no matter if comparatively slight.

Bulletin boards and bulletins. Notices for general information are posted on bulletin boards and employees are held responsible for being conversant with these notices.

Care of building. All employees should be careful not to deface walls, leave paper or string out of proper receptacles, etc.

Change of address. All employees are required to report change of address or telephone number immediately to the employment office.

Charge accounts. Employees are generally allowed to purchase articles and charge them for deduction from weekly salary. Ordinarily employees must have been working in the store a certain minimum length of time.

Complaints. All complaints from customers should be reported immediately to prevent customer's leaving building dissatisfied.

Correspondence. Stores generally dislike having employee's personal mail sent to the store.

Department. Social visits are discouraged. The use of last names is ordinarily required. Gum and tobacco are barred, as are also lunch, candy, or fruit during store hours, except in lunch rooms.

Direction of customer. Great stress is laid on employees being familiar with store layout.

Discounts. An employee is given a certain discount on all purchases for his own use or for that of his family dependent upon him.

Dress. Women ordinarily wear dark blue or black, with white shirtwaists during summer months.

Elevators. Employees are usually subject to certain restrictions concerning use of elevators during business hours. Executives, heads of departments, buyers, and section managers are usually excepted.

Entrances and exits. Ordinarily entrances and exits are denoted for store employees' use, to avoid congestion at doorways used by customers.

Group insurance. If group insurance is in force, provisions are usually set forth in the general manual.

Hospital. All employees who feel ill are supposed to report to the hospital for permission to leave or treatment.

Hours of business. A statement of hours with special provision for women and children, the time employees must be in departments, summer closing policy, etc.

Leaving department. Permission must ordinarily be secured from floor manager.

Legal aid. Some stores provide free legal service for employees

Locker rooms. Provisions for locker rooms differ with the store.

Lost and found. All lost and found articles must be taken or reported immediately to the accommodation place or wherever such articles are held for claiming.

Lunch hours.

Mutual benefit associations. Rules and regulations for membership are given in case such a service exists.

Passes. The head of the department grants passes to all employees desiring to leave for any reason other than regular lunch hours. This includes sick passes, shopping passes, and after-hour passes.

Payment of wages. The manual usually states time and method of payment.

Rest rooms, restaurants, smoking rooms, etc. Directions and descriptions usually appear in the manual.

Shopping hours for employees.

Sponsors. In some stores sponsors for new employees are appointed.

Telephone. Employees usually are required to use specially designated pay telephones for personal calls. Directions for answering other telephones are given.

Theft. Directions in case of apprehended or actual theft are included.

Time. Instructions for registering time are given in almost all cases.

Umbrellas. In some stores umbrellas are rented to employees for a nominal sum.

Vacations. Rules and regulations as to vacation privileges are included in all general manuals.

Washrooms. Locations of various washrooms are given.

Office Manuals.—Manuals for office workers are not generally made up, the general store manual being regarded as sufficient. If such a manual were compiled, the following headings might be used:

Explanation of store policies.
Employment regulations.
Office hours.
Deportment rules.
Payment and bonus regulations.
Intercommunication systems.
Mail handling.
Office equipment, including files, adding machines, etc.
Correspondence.
Filing.
Special routine.
Supplies.
Forms.
Miscellaneous.

Service Manuals.—The principal services to customers requiring manuals are deliveries and elevators. Delivery requirements have already been treated in the chapter on that subject.

Manuals for elevator employees will serve as a model for service manuals. The aim, naturally, is to produce a representative of the store who will impress the customer most favorably. The following provisions will be found in the majority of elevator manuals:

1. Conduct and bearing. An erect military bearing is emphasized. All joking with passengers is barred. Whistling, chewing gum, etc., is not permitted.

2. Courtesy. Courteous answers to questions in an agreeable and pleasant tone of voice are specified.

3. Hours. Allocation of hours is naturally very important.

4. Location of merchandise. Although the customer has the opportunity to consult the store directory, she frequently prefers to ask the elevator operator. Consequently he is supposed to know location of departments throughout the store.

5. Methods of expression. Ordinarily, manuals give form of directions, such as "Take the next car, please," "Step well back in the car, please," etc. Floors should be called out and their general character enunciated clearly.

6. Operation of cars. Careful direction is given as to closing doors, making smooth landings, carrying capacity, care of car, etc.

7. Personal appearance. Personal appearance is stressed in all cases. Cleanliness as to person and as to uniform, shoes, etc., is required.

In some stores, telephone manuals are prepared, giving form of answering, care of patrons, delivery of messages, transfers, etc.

Store Manuals.—Manuals in the selling departments are naturally more common and more detailed than anywhere else in the store. Not only are manuals prepared for officials and salespeople but also for general use in special departments. The mere skeleton is given here as more detailed treatment will be found in later sections under merchandising and personnel:

1. The Assistant Buyer's Manual. General contents are varied, depending on duties assigned in different organizations. Following are some important subjects:

Duties.
Stock plans.
Stock sheets.
Merchandise policies.
Inventories.
Comparisons.
Stock and purchase records.
Receiving and marking room procedure.
Miscellaneous.

2. Department Manuals. For the guidance of salespeople, and others concerned, some stores have special manuals for

different merchandising departments. These have been found very valuable in standardizing procedure and preventing overlapping between two departments. For example, such manuals would contain:

Full description of stock carried.
Materials, their purpose, use, etc.
Sizes and styles.
Colors.
Workmanship.
Store policies in regard to such merchandise.

Manuals of this sort would require periodical revision in some departments, while in others they would remain as standards for a considerable period of time.

The bargain basement frequently requires a special manual, describing sales policies, methods of mark-downs, restriction of services, etc.

3. Manuals for salespeople. There are several varieties of sales manuals in use, but the most ordinary form describes in detail the process of making out different kinds of sales-checks. These manuals are intended to be kept by the employee at all times and consulted when necessary.

Manuals of cash register instructions are desirable where cash registers are used to any great extent.

4. Section managers', aisle managers', or floor managers' manuals. The floor manager is the representative of the management and in ordinary cases exercises a purely managerial supervision both as respects the department employees and the store's customers. Hence the manual sets forth specifically the responsibilities of the position, the duties attached, and the exact jurisdiction.

STORE MANAGEMENT

Methods of supervising and managing the different departments vary with the particular store in question. The buyer and the assistant buyer are nominally in charge, but their duties are primarily with the merchandise. Hence the average store employs what is variously termed, aisle manager, section manager, floor manager, etc. While he works in close cooperation with the buyer his duties are concerned with linking up

store service and discipline, and he is usually under the direct control of the superintendent.

The Floor Manager.—There was a time in the history of retailing when the position of floor walker meant little more than an individual who directed customers pleasantly to the particular department where they wished to go. The modern floor manager, however, is usually considered as a minor executive possessed of tact, patience, and never-failing courtesy towards customers and the ability to supervise without creating friction. As James T. Chase, Superintendent of the Gilchrist Company of Boston, says:

> The one requirement which the floor manager must meet to be successful is to assume all the responsibility that is placed upon him. He must understand human nature, and he must make the customer believe that she is personally supervised all the time she is in the store, and that her most minute wants are being zealously cared for.

The floor manager is the managerial middleman. There has been much discussion as to whether or not he could be eliminated. Consequently, the decision of James McCreery and Company to do away with floormen has been watched with much interest, although without any decided tendency to adopt the same plan. According to the McCreery method, the duties and responsibilities of the floorman are divided between the assistant buyer and the salespersons with highest sales records, who are given the title of sponsors. But whether the floorman himself is done away with or not, the duties still remain. These may be classified under three general heads:

1. Service to customers.
2. Supervision of employees.
3. Care of department or section.

Service to Customers.—The floor or aisle manager represents the firm in its policy of service. He is responsible for the behavior to customers of the salespeople in his department, for the carrying out of promises, and for the making of simple adjustments. In case the complaint is serious, the customer is usually sent to the adjustment department. In few cases is the floor manager allowed to tell the customer that no adjustment is possible. As one manual says:

> The store desires that every courtesy be shown to customers. If

ANSWER ALL QUESTIONS

Date July 8 1919

Aisle Manager's Daily Report to Sup't

You are required to fill in this form correctly and have same at Superintendent's office not later than 8.30 a. m. daily.

Floor 3rd

Dept's 36 - 39

Names and Dep't of Salespersons or Stockkeepers absent

W. H. Ford — on vacation } Dept 36
33 Hoover " "
39 Hagaman " "

Dept 39

#3 Lewis on vacation

F. Wilson " "

Names and Dep't of Salespersons or Stockkeepers late

Condition of Window Shades ✓

Any fixtures in need of any repair? ✓

Any show case not in proper condition? ✓

Any glass need cleaning?

Number and letter of any arc lamp that needs trimming ✓

Was advertised Mdse., on sale and properly displayed?

REMARKS AND RECOMMENDATIONS

L. Wilds

SIGNATURE

FIG. 30.—Aisle manager's report.

a request is made which you cannot fill personally, get in touch with the Head Floor Manager before refusing the customer or sending her away from the department.

Supervision of Employees.—The discipline of the department is entrusted to the floor manager, and he interprets all orders issued to employees, and is responsible for having them carried out. He cooperates with the employment and educational departments in training employees and reporting their progress.

The floor manager takes time of salespeople, reports absentees, arranges lunch hours, and sees that dress regulations are complied with. He observes shopping rules for employees and instructs new employees in special routine of the department.

Either the floor manager or someone as his substitute must be present every minute of the day. Marshall Field and Company lays special stress upon preventing all appearance of "getting ready to go home" before the last customer has left and places the responsibility for this upon the floor manager.

Care of Department or Section.—The care of the department includes protection against fraud or theft and also guarding of merchandise and store properties.

The floor manager should see that covers are off merchandise, folded, and put away before the store opens. He should inspect each section thoroughly every morning and report anything out of order. He also controls lighting and ventilation.

Figure 30 shows the form of aisle manager's daily report to the superintendent of Saks and Company, of New York. The form used by Best and Company is still simpler, consisting merely of a slip of paper headed Aisle Manager's Report with the following notice at the top:

> Every complaint, criticism, unnecessary delay, or failure on the part of our service to give entire satisfaction is of interest to the firm, and should be reported. Also you will please report any daily occurrences that you think will be of interest or value to the firm.

The weekly report of the section managers of R. H. Macy and Company is more pretentious. See Fig. 31. Much more

Form 995 2M 7-17 B429

WEEKLY REPORT OF SECTION MANAGERS

This report is for the information of the Manager so these questions must be answered with scrupulous exactness. The report must be left at the Manager's Office every *Friday evening at 6 o'clock.*

1 Are there any incompetent sales people in your departments?.....
If so, give names.....
Are there any incompetent parcel clerks in your departments?.....
If so, give names.....
Are there any incompetent stock people in your departments?.....
If so, give names.....
2 Do any sales people on your floor require instructions as to system?....
Do any sales people on your floor require instructions as to salesmanship?.....
3 Are there more people in your departments than you think necessary?.....
4 Have you any complaint to make about delivery service that requires special attention from the Manager?.....
If so, state facts fully.....
5 Has any delay in return of cash or Charge Checks through the tubes been reported to you?.....
If so, mention the day, the hour and the amount of delay.....
.....
6 Has any merchandise been missed from the counters or fixtures?.....
7 Has any cash been lost?.....
8 Are the stocks in the departments under your supervision in as good condition as they should be?.....
9 Do you make it your business to see that all employees under your supervision deposit waste paper and rubbish in bags provided for that purpose?.....
10 Have all goods been properly covered and display fixtures been in proper place before leaving every night of the past week? If not, what nights were the exceptions?.....
.....
11. Is there any broken glass that has not been repaired on your floor?
.....If so, where?.....
12. Do any counters or fixtures require repair?.....If so, which?.....
13. Does the floor or case lighting in your departments require attention?
If so, where?.....
14. Are there any surplus signs or stands in your sections?.....
15. Are there any personal belongings of employes in your sections?.....
16. Have you any suggestions to make?.....
.....
.....
.....
17. Above statements refer to Depts.....
.....

Signature of Section Manager.

Dated....., 1917.

R. H. Macy and Company.

FIG. 31.—Report of Section Manager.

attention is paid to physical details such as display fixtures, broken glass, counters out of repair, surplus signs or stands, etc.

In each case suggestions for improvement are invited.

Protection of the store is a vital part of the floor manager's duties, the major points of which are included in the following instructions:

1. Identify your charge customers.
2. Give no discount unless you are sure the customer is entitled to one.
3. Watch for shoplifters. The quickest way to get a store detective is to call the information desk.
4. Examine sales slips given you to sign.
5. Supervise your section closely.
6. Be the first person in your section in the morning and the last person to leave at night.

CHAPTER XIV

FINANCE

The dry goods store belongs to that class of business enterprise known in stock market circles as "industrials." It responds quickly to general business conditions, whether these are good or bad. From the public investing standpoint, the dry goods store, like all other business enterprises, involves a greater amount of risk than properties secured by first mortgages. Although sound mercantile judgment may safeguard, perhaps, against severe losses, it cannot entirely avoid the reverses incident to profound depression in general business.

The capital of a retail store consists mainly of inventories, accounts receivable, fixtures and equipment, and good will. The first two are constantly fluctuating in accordance with sales policies and business conditions. Thus the financial prospects of a retail store are often dependent on an accurate prediction as to coming prosperity.

The only remedy for this condition is a financial policy formulated to provide sufficient cash and credit reserves to tide the store over the period of falling prices when inevitable inventory losses must be sustained. The person in charge of the store's finances should be possessed of sufficient vision to foresee future possibilities and so correlate all its activities that depression may be met safely.

Financing may be done either internally, through use of the store's own funds and credit, or externally, through the issue of securities.

Internal Financing.—By far the greater part of all retail financing is done internally by one of the following methods:

1. Current funds.
2. Banks.
3. Manufacturers' and jobbers' credit extension.

These methods are particularly adapted for use by the small

store, to which the offering of stock publicly is made impossible by size, stability, or other limitation.

Current Funds.—The majority of stores which are successful today financed themselves in the beginning out of earnings. Expansion is only deprived of excessive risk when there is sufficient capital to provide for current expenses. Expansion based on borrowed money is an excessive risk for the small store, the reserve power of which is incapable of standing any extraordinary financial strain. It increases overhead and interest charges, whereas the store expanding on a sound basis of earnings can do so with the minimum of risk.

Banks.—As a general rule, bankers are willing to accommodate merchants who maintain good cash balances, and can show statements in which the sum of current assets (merchandise on hand, accounts receivable, and cash in bank) is at least twice the amount of current liabilities. The rate of interest on such loans varies not only with the demand and supply of money in the market, but also with the financial resources of the borrower. After the loan is secured, usually upon a 90-day basis, it is advisable to maintain an average daily balance in the bank of approximately 15 to 20 per cent of the maximum amount the bank will lend.

There is an obligation, not written, but moral, on the part of the merchant to pay off bank loans at least once a year, demonstrating his ability to operate without assistance from the banker under normal conditions. If more than one bank is used for deposits, a line of credit may undoubtedly be obtained from each, in which case the full line of credit should not be used at all banks at the same time. Thus any sudden demand upon the merchant for payment of demand loans or refusal to renew a loan would not find him unable to meet the emergency from his other banking resources.

In addition to the ordinary banking facilities, borrowing may be done through what is known as "commercial paper." Unlike the ordinary note of a merchant, this is a negotiable instrument which may be bought and sold in the open market through the medium of brokers specializing in this type of instrument. A fraction of one per cent is charged for commission (usually ¼ of 1 per cent) which must be included when

comparing the cost of commercial paper with that of ordinary banking paper. Thus, if money is cheap and commercial paper can be sold on a four months' basis of 4½ per cent, with a ¼ per cent commission, and bank loans may be had at 5 per cent, the advantage lies with the bank loan because the actual cost of the commercial paper is 4½ per cent, plus ¾ per cent (per annum), or 5¼ per cent, as compared with the bank rate of 5 per cent.

The cost of commercial paper varies also with the size, prestige, and credit standing of the establishment. Generally, commercial paper can be sold only by stores with first-class credit rating. The prompt payment of every note as it comes due is an essential. It is not possible to renew the obligation as in the case of bank loans.

The most frequent occasion for a merchant's calling upon a bank for credit is to make payment for extra-large purchases—in other words, to finance inventory. Samuel W. Reyburn, president of Lord and Taylor, New York, says, in regard to the position of the banker when called upon by the retailer for a loan, that

> The banker buys and sells credit. An investment banker buys and sells stocks and bonds, capital securities, but in a broad sense, they are only credits. A commercial banker, on the confidence people have in him, takes care of the liquid capital or ready money, his deposits. They are bought just as surely as merchandise is bought, are due on demand, or on a period of short notice. Sound financing requires that such funds shall be invested in commercial loans such as a note or short-time acceptance drawn against business transactions or short-time securities of the government, or on collateral loans.

Manufacturers' and Jobbers' Credit Extensions.—Many small stores have succeeded in making arrangements with manufacturers who were willing to advance money, or stocks of merchandise on a consignment basis, under which the merchant had opportunity to do business without the necessity of investing his own inadequate capital. Favors like this cannot ordinarily be asked for by the larger establishments, although it is undoubtedly true that many buyers still obtain goods on a consignment basis.

Another comparatively recent development is the special financing of deferred payment sales. The competition of stores selling furniture and musical instruments on the instalment plan has forced many establishments into selling this class of merchandise on a much longer time basis than ordinary credit rules will permit. This has led to the custom of accepting merchandise on a much longer time basis than ordinary credit chattel mortgages from the purchaser which may be discounted. With the advent of the automobile, the business of discounting this character of paper has grown so large that many institutions have sprung up dealing exclusively in chattel mortgages.

It is to such institutions that the merchant may take his chattel mortgages and obtain the capital he needs, although at a rather substantial discount. Obviously the financing which must be done with the assistance of the manufacturer, or through the discounting of the consumers' paper, is by no means the most attractive method of providing capital for a growing business.

Planning for Financing Requirements.—Whether the establishment be large or small, the keen business man will plan his financing at least 6 months ahead, just as modern retailing methods demand he plan his merchandising. Experience tells him from his records that purchases, sales, cash receipts and disbursements bear certain definite relationships each to the other. This obviously differs in every business, depending upon the proportion of cash sales to charge sales and upon the customary procedure followed in the discounting of bills. Figure 32 shows a table which is typical of a financial estimate sheet which may be successfully applied in a retail business.

It will be observed that the figures to be inserted under Item 3 indicate the amounts which it will be necessary to borrow to maintain the required cash balance. They are obtained by ascertaining the difference between the total estimated receipts and disbursements. Whenever in any month the receipts equal or exceed the disbursements no borrowing is necessary unless there are notes payable due in that month. Experience with the use of this table will greatly improve its

FINANCIAL ESTIMATE

RECEIPTS

			Jan.	Feb.	Mch.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1	Aecounts Receivable	Estimate Actual												
2	Cash and C.O.D. Sales	Estimate Actual												
3	To be Borrowed	Estimate Actual												
4	Miscellaneous Receipts	Estimate Actual												
5	TOTAL Cash Receipts	Estimate Actual												

DISBURSEMENTS

6	Merchandise Purchases	Estimate Actual												
7	Taxes	Estimate Actual												
8	Rent	Estimate Aetual												
9	Variable Expenses	Estimate Actual												
10	Notes Due	Estimate Actual												
11	Extraordinary Disbursements	Estimate Actual												
12	TOTAL Cash Disbursements	Estimate Actual												
13	Required Cash Balance	Estimate Actual												

Estimate based on sales increase (or decrease) per cent as planned.
Purchases based on increase (or decrease) per cent of the plan.

FIG. 32.—Suggested estimate sheet.

accuracy. To make it work practically the policy should be maintained consistently throughout the period either of allowing bills to run their full time or of discounting them. A financial plan prepared six months in advance, if based upon conservative sales estimates, is certain to make financing easier for the executive. This table also warns that the danger point has been reached whenever it indicates a total borrowing near the maximum amount he may borrow in bank loans and commercial paper. When this condition has been reached it is necessary to consider other means of external financing to remedy the deficiency in capital.

External Financing.—The recent tendency toward external financing in retail stores has developed not only because of the needs of the businesses themselves but for another important reason. Owners of some of the larger stores have acquired sizable estates through the profitable operation of their establishments, and a substantial part of their investment holdings are the stocks in their own companies. Whenever the merchant has his personal holdings almost exclusively confined to the investment in his store and the stock is held closely, the present inheritance tax law may place his estate in the position of being compelled to sell to the public a substantial part of a close corporation stock to meet these taxes. With no market already created for the stock at the time of the death of the owner, a real problem presents itself to the executors of the estate. This has led many merchants to refinance their businesses in such way as to provide a market for their stocks while they live, so that at the time of death no sacrifice of the stock is necessary in a market unfamiliar with the security and its earning power.

In the preparation of a plan of external financing the advice and assistance of investment bankers and brokers is invaluable in the determination of the best form of security to be issued. Also, certified public accountants of recognized standing should be called in, not only because their certification of the correctness of the financial statement is a distinct advantage in itself, but because their wide experience and expert accounting knowledge is at the disposal of the merchant in

the preliminary planning, as well as in the preparation of the financial prospectus.

With the banker and auditor to assist him, a merchant may be reasonably certain that he is not in danger of assuming an obligation which will be too heavy a burden upon his business. Nor should he make the mistake of marketing an issue either of bonds or of stock in an amount too small to meet the maximum financial requirements. If, in the opinion of the investment banker and of the auditor, sufficient capital cannot be obtained through the marketing of present securities, the conservative merchant must revamp his plans for expansion to meet his financial needs. A business may occasionally fail even though its principals are men of experience and ability in merchandising, simply because of insufficient capital for the volume of business produced.

The form of external financing to be adopted must depend largely upon the character of the business, its financial condition, and the assets against which securities may be issued. These securities may be offered in the form of common stock, preferred stock, bond issues, notes, or debentures.

Common Stock.—Until recently common stock issues in the retail field were comparatively rare. Since the common stock takes practically all the risk as well as the largest part of the profits, it is usually held closely by the principal owners. Being speculative in character, its sale to the public is usually made upon the basis of its earning power. Except in the case of very large corporations, no great amount of common stock may be distributed publicly without the danger of losing the controlling interest. It is, therefore, not nearly so popular a form of financing as the preferred stock issues, although the Associated Dry Goods Corporation, the May Department Stores, R. H. Macy and Company, Gimbel Brothers, The Fair, and others have offered common stock issues for public investment.

Preferred Stock.—The preferred stock issue presents many important advantages:

1. It permits a widespread distribution of stock in small lots among persons whom the store desires to interest as patrons as well as stockholders.

2. Even though payment of dividends may be cumulative, the penalties attached to the failure to pay dividends are not so drastic as when interest payments on bonds or notes are not promptly met during times of business stringency.

3. The annual rate of redemption of the stock may be fixed as low as 5 per cent, or even 3 per cent, of the total original issue.

4. Its inclusion in a balance sheet does not present the disadvantages inherent in a bond or note issue, because it appears under nominal liabilities, while bonds appear as a direct obligation of the corporation or partnership.

5. Preferred stock may be issued in a larger proportion of the total existing assets of a concern than is possible in the case of a bond issue.

6. From the point of view of the purchaser, the stock is usually free of all property tax in the state of issue, and its dividends are not subject to the normal income tax.

7. Its yield is 7 or 8 per cent, rarely less than 6 per cent; this is higher than the yield of first-class bonds.

8. The protective features are such as to make it a most attractive investment.

Bonds.—Since the earning power of the retail store is not constant, bond issues are not ordinarily offered because of the desirability of avoiding fixed charges, in so far as possible. In some cases, however, assets may be large enough and permanent enough in character to warrant floating a bond issue.

Mortgage bonds of the better grade are most frequently used by merchants for the financing of building operations or for the purchase of real estate and buildings. Bankers and brokers selling these bonds usually require that the bond issue shall not exceed 50 per cent of the sound value of the assets behind the issue. This form of financing often is resorted to when the stock market is in a state of uncertainty or depressed prices, and when preferred issues cannot be so readily sold except at prices substantially under par. At such times bond prices are relatively higher because of their greater security. Thus, despite the obvious advantages that stock issues possess, bonds may be more readily marketed then.

Then, too, interest rates on bonds are generally lower than

the dividend rates on preferred stocks. The interest on the bonds is a deductible item in the Federal income tax return as a part of the operating expense, while dividends are not. Bonds are a prior lien only upon the assets or property against which they are issued, unless specifically provided otherwise in the deed of trust. By the creation of a separate corporation for the specific purpose of purchasing realty and constructing buildings, the bond issue may be entirely eliminated as a direct obligation of the parent company, and thus need not appear on its balance sheet in the form of "bonded indebtedness." The redemption of bonds may be arranged to fall due at such times and in such amounts as will work the least hardship upon the financial reserves of the establishment.

For example, a store may finance the purchase of a building by issuing bonds, let us say, for $600,000 on a million-dollar building. It desires not to impede its growth by taking out of each year's earnings too large an amount for the redemption of bonds. It may arrange for an amortization each year of only $20,000, over a period of 15 years, the usual life of a bond issue, and leave an amount of $300,000 to be paid in a lump sum at the end, or to be refinanced at that time with a new issue. This is sometimes called a "stub-end" issue.

Maturities of bonds need not be in the form of fixed annual sums, but may be arranged on a sinking fund basis under which such amounts may be called each year as the finances of the company will permit, so that if unusual good fortune favors the new venture, the bonds may be paid off earlier than the plans contemplated. A bond issue should never be undertaken with the redemption so large that the annual fixed charge will absorb the entire net earnings. Something must be left for expansion.

There is another form of financing that is so rare in retail circles that it needs only summary mention. It is the debenture. This is simply a form of note issue like a bond but having back of it only the obligation to pay and such assets as are not otherwise absorbed by prior bond issues, or other liens. It is seldom used except for emergency financing.

Public Distribution of Store Securities.—The present recourse of large retail stores to the public for funds has

caused much comment. Decision to offer stock publicly has been ascribed to the following reasons:

1. To create direct interest in the store by the public. In the case of a department store this motive might appear doubtful, since the potential investors would never equal a tithe of the actual customers.

2. Financial rearrangements due to taxation requirements. By the issue of bonds or notes, interest paid on these mortgage issues may be deducted in calculating the Federal income tax. Furthermore, if present preferred stock issues of department stores can be construed as mortgage liens, the same advantage would accrue.

3. A change of policy. When the department store is, as in many cases, undercapitalized, it has been realized that a more adequate capitalization, in relation to earning power, is necessary. The value of capital as a basis of credit is, in this way, utilized.

Securities may be distributed in the following ways:

1. Direct offering to present stockholders. This is the general method employed when desiring to keep control in the family or among a few individuals.

2. Underwriting. By placing the responsibility for floating the stock, bond, or note issue with a well-known financial house, the store insures having the issue successfully sold, and having the funds on hand at a certain time. In addition, the acceptance of this stock issue by the brokerage house gives confidence to the public that the values behind the issues are sound.

Some department and dry goods stores are not in a position to take advantage of underwriting services because of their local character, while the New York, Philadelphia, Chicago, or other large city store might resort to such methods of financing because they are generally well known throughout the country.

3. Direct distribution of stock by the company, either to the general public or to employees, or both.

It is difficult and sometimes impossible to finance satisfactorily a store which has been doing business for several years without profits. All underwriters demand statements of assets,

liabilities, and income accounts over a period of years, signed and certified by reliable accountants. In addition, the president of the store makes a general statement, giving a brief history of the corporation, its policies, present condition, future prospects, and the purpose of the issue.

The importance of the prospectus should not be underestimated. As a matter of fact, the statements it is necessary to make to the public are hardly different from those required by the banker in private financing arrangements. The department store prospectus should always contain the following information, detail depending somewhat upon how well the store is known:

Nature of the business.
Fundamental policies.
Management.
Past earnings.
Inventory profits and losses.
Present financial condition, including balance sheet and income account over a period of years.
Reason for the issue.
Growth.
Provisions and security for the issue.

CHAPTER XV

INSURANCE*

The retail dry goods store, whether large or small, has a major problem to meet in deciding on its insurance requirements and methods of filling these requirements to the best advantage. Protection is absolutely essential since an uninsured loss may mean absence of profits or even failure.

It is impossible in one chapter to cover in detail the insurable items to be found in the retail store. The store itself, the fixtures, the delivery wagons and trucks, the merchandise, the machinery, the loss of profits, the liability imposed by law for injuries sustained by the public or employees upon the premises, are all to be considered in drawing up an insurance program. In addition, there are many forms of special insurance which may prove desirable under special circumstances. Use and occupancy, goods in transit, parcel post, and bonding are fair examples of special insurance problems.

The Broker.—Insurance is an intricate subject. It does not lend itself to easy comprehension on the part of the business man who is occupied with other problems. Therefore, the advice of the broker is not only important from the viewpoint of proper coverage, but of details of insurance procedure.

In dealing with an insurance agent, the store deals with the representative of the insurance company whose profits depend upon the profits of the company. In the case of the broker, the reverse is true. The broker is the agent of the assured and his earnings are dependent on the value of his services, not to the company, but to the assured.

A broker should be chosen because of his honesty, his conscientiousness, his knowledge of the business, and his interest in the client's needs.

* The manual on Insurance, by the Controllers' Congress of the National Retail Dry Goods Association may well be consulted, in conjunction with this chapter.

The Insurance Company.—The choice of a company in which to insure is another point which should not be left to chance. The question of rates is subordinate to the all-important point of whether the company is able to pay in case of a loss. An insurance company may be judged by its net assets, its loss-paying record and its general reputation. In a large store it is advisable to distribute risks up to three companies, but not more because of the necessity of an adjuster in case of loss where more than three companies are involved.

Insurance companies may be stock, mutual or reciprocal. The stock company has certain paid-in capital, certain cash reserves, and rates which have been established after long experience. The best stock insurance companies cannot be excelled for safety of protection.

In case of mutual insurance, the various members assume their own and their associates' risks. Brokers' expenses and dividends are done away with, while any surplus after payment of losses is distributed among the members. In case of excessive loss, however, there is a contingent liability upon each member to pay his share of the loss, which may amount to many times the original premium. In the stock insurance company the assured merely pays the initial premium.

The main difference between the mutual and the reciprocal company is that the former requires an initial premium equal to or greater than that of the stock company, while the reciprocal takes a certain advance premium plus a note for the remainder and the contingent liability.

The Insurance Policy.—An insurance policy consists of three parts, the standard printed form, the rider or riders and the endorsements. While there are differences due to state regulations and the type of insurance, the main features are ordinarily the same.

The liability of the insurance company is limited to the sound value of the property in case of loss or damage by fire. This means replacement value at the time of the fire less depreciation, however caused. In the case of liability insurance, definite limits are set.

Fraud or misrepresentation of a material nature will void the policy automatically.

Certain risks are not covered, notably fire loss caused by invasion, insurrection, riot, civil war or commotion, military or usurped power, order of any civil authority, theft of property at time of fire, etc.

The assured must use all reasonable means to protect property damaged by fire.

There are certain specifications of ownership, such as statement of mortgage or existing lien, building on leased ground, assignment, etc.

Certain special hazards are ordinarily excluded, such as mechanics making structural changes, vacancy for more than a certain length of time, lightning, explosion, gasoline or kerosene on premises, etc.

While many of these conditions are offset by special clauses, it is always necessary to be sure of this because in case of a loss the terms of the policy will regulate the settlement.

Procedure in Case of Loss.—All insurance companies require immediate notice of loss or accident in writing. As previously mentioned, the assured must protect property from further damage. This includes separation of damaged from undamaged property, removal elsewhere if necessary, and arrangement in best possible shape.

Proof of loss must be filed within sixty days. Even if adjustment has not been made, proof of loss must be filed to prevent forfeiture of rights. It has been held repeatedly that even the statement of the insurance agent that such filing was not necessary does not invalidate the policy provision. The proof of loss contains a statement of insurable interests, other policies, and a summary of damaged property. The whole must be executed by the owner, partner, or corporation official.

The insurance company has the option of paying for the property at its appraised value, or of repairing, rebuilding, or replacing with other similar property. This option must be exercised within thirty days after filing of proof of loss. The option can be exercised by the insurance company alone and not by the assured.

Payment of loss is required within sixty days, although it

is usually paid in a much shorter period. The assured cannot sue the company unless all conditions have been complied with, and in no case after twelve months from the date of loss. If a third party is liable for the damage, the insurance company, by what is called the subrogation clause, receives the right to proceed and recover against this third party in place of the assured.

The Rider and the Co-insurance Clause.—The standard rider form describes the property to be insured in detail, contains privilege clauses and warranties, and also the much misunderstood co-insurance clause.

Co-insurance merely means that if the assured does not carry insurance for the percentage of value named in the co-insurance clause, in case of loss which involves less than the total insurance carried, the insurance company is liable only for the ratio of the amount taken out to the amount which should have been taken out. The 80 per cent co-insurance clause is the most common. Under this clause if the sound value of the property is $10,000 and the amount of insurance carried is $8,000, any loss up to $8,000 would be collected in full. Supposing, however, that this same property were insured for only $6,000, and there was a $2,000 loss. The ratio of the insurance carried, $6,000, to the sound value, $8,000, is three-quarters, and under the co-insurance clause the assured would collect only $1,500.

Every store should make a point of being sure that insurance carried is equal to the value required in the co-insurance clause. When the loss exceeds the percentage of insurance named in the co-insurance clause the actual insurance in force will be paid in full.

Fire Insurance.—Danger of fire in a dry goods store is the greatest hazard likely to be encountered. Preventive measures should always be taken in proportion to the risk. Large stores should be sprinklered. Smaller stores should have portable fire extinguishers in convenient places throughout the building.

All contents of the store, including stock, fixtures, and improvements, may be insured under a blanket policy. In the majority of cases this is the best policy, since the co-insurance

clause in this way applies to the aggregate value rather than the value of each class separately insured. In other words, while the sound value of the stock may often be worth more than 80 per cent if insured separately, when it is combined with fixtures in a blanket policy, fluctuations in value of stock do not count so much.

It is frequently dangerous to insure fixtures and improvements separately because of the difficulty in many cases of deciding which are fixtures and which improvements.

Stock includes everything which the store deals in as a business. The policy should never attempt to describe stock specifically. It is enough to say "on stock, including containers and all articles used in the sale and shipment of same."

The same is true of furniture and fixtures. It is never wise to limit them too closely in the policy because in that event the implication is that anything not named is not meant to be included. Thus, in insuring furniture and fixtures it is enough to say "on store furniture, furnishings, fixtures, tools, implements, utensils, apparatus, pictures, and awnings, all useful, ornamental, or incidental to the assured's business." In this way everything is covered generally.

When a store insures goods in storage, it is well to remember that all goods in storage are classified as stock.

The important thing to bear in mind in insuring a building against fire is that the insurance should be in the name of the owner, or if in any other name, the other party must have an insurable interest and sustain a direct and actual loss through the burning of the building.

Rates on stores differ with the risk. A building which is sprinklered may be rated 40 per cent less than one without sprinkler protection. Some of the items which make up the insurance rate are beyond the merchant's control, such as general conditions, apparatus, exposure, etc., but the merchant can in many ways reduce the insurance rate. Fire doors and shutters are especially important in a mercantile establishment. Rubbish papers, and boxes, if allowed to accumulate, constitute a direct fire menace. All these preventable factors are counted in by the underwriter in making up the rate.

Every merchant must make sure of two things in taking out fire insurance policies:

1. See that all conditions of the policy are complied with or removed by counter-clauses.
2. Be sure that coverage is ample. An unprotected loss may mean bankruptcy.

It is possible to insure potential profits against losses due to fire by carrying a separate policy, based upon a fixed percentage of the cost of merchandise on hand. Merchandise on hand is estimated at a figure high enough to meet average conditions.

Liability Insurance.—Every merchant has a legal liability for injuries occurring to persons while in or on his premises, and due to his negligence. Members of the assured's family and employees are generally excepted from this liability. For the small store opportunities for accidents to customers are comparatively small. In the large store, however, with its elevators, its drug departments, its escalators, etc., the opportunity for accident is much enhanced. For both large and small store, liability insurance is necessary, the limits differing with the risk.

Ordinary liability limits are $5,000 and $10,000, that is, $5,000 for accident to any one individual, and $10,000 where a group of individuals are concerned, no one of whom, however, will be paid more than $5,000. For example, suppose three people were injured and the court awarded damages of $6,000, $3,000 and $1,000. The insurance company would be responsible for only $9,000, while the merchant would have to pay $1,000, since damages were awarded to one party in excess of $5,000, the one-person limit. Limits can be set at almost any figure, the rates being adjusted accordingly.

Each policy stipulates to indemnify against loss, to defend suits arising out of the accident, and to pay costs and judgment up to the liability limit.

Most department stores, and many specialty stores, will find it necessary to take out special liability policies to cover certain special risks, notably:

1. Elevators.
2. Automobiles and teams.

3. Workmen's compensation.
4. Druggists' liability.

1. The elevator risk may be covered by endorsement to the general liability policy, but the others require special policies. All liability policies should be taken out in the same company to avoid disputes as to responsibility in cases of double liability.

The advantage of having a special policy covering elevator liability is that liability limits are usually higher since the risk of serious accident is greater. It also facilitates adjustment of premiums where there is more than one building and more than one class of elevator.

2. Accidents are frequent with delivery trucks and liability insurance a necessity. This type of insurance is written for the term of one year only. The delivery fleet is generally insured under a blanket policy which permits substitutions and deductions for cars out of service. Experience rating plays an important part in determining schedules, that is, the accident record of the merchant's fleet. General automobile liability insurance covers personal injuries to others, but not to the driver, who must be protected by endorsement or by Workmen's Compensation.

Property damage insurance is usually covered by endorsement to the general liability policy and covers damage to property of others.

Collision insurance covers damage to the assured's car and is also usually written as an endorsement to the liability policy. The use of the $50 or $100 deductible form allows very moderate rates. If the deductible form is used, the insurance company is liable only for the damage above $50 or $100, as the case may be.

3. Workmen's Compensation. While in many states Workmen's Compensation insurance has been compulsory only for hazardous employments, the tendency of legislation and practice is towards making all employments subject to such protection. Such is the case in New York State at the present time. Statutes differ in almost every state and a merchant desiring special information should obtain a copy of the statute of the state in which he does business.

4. Druggists' Liability. If a department store includes a drug department, druggists' liability insurance is essential for protection against legal liability for injuries or death suffered accidentally through use of medicines dispensed to the public in an erroneous fashion, through prescription or delivery.

Transit Insurance.—Insurance on goods received and shipped must be carefully considered. The most modern transit insurance policy is that drawn up by the combined efforts of the National Retail Dry Goods Association and the John C. Paige Company, of Boston.

The premium is based upon one-fourth of the gross business done at the rate of $.07 per $100 on that amount. The rate and the method of assessment are both decided departures from the usual routine.

No valuations have to be declared on shipments received, that is, the policy accepts the ordinary bill of lading. This means a substantial saving to the retail store, because, reckoning conservatively, 40 to 50 per cent of merchandise comes via express on which in the past it was necessary to pay 10 cents on a valuation of $100. In some cases it has been 10 cents upon $100 over a $200 limit.

The policy protects fully against pilferage, whether or not collection can be made from the carrier. A majority of the claims placed against transportation companies are for pilferage, and such claims are the hardest to collect.

Merchandise delivered to customers, either by the stores' or public conveyances, is covered, a form of coverage which is new. It also includes specifically an act of God, fire regardless of origin, earthquake, etc.

Coastwise transportation, not only in the Atlantic but in the Pacific, on the Great Lakes and the Gulfs, is included.

Payment is to be made within thirty days from the date claims are presented. Every claim reduces the amount of insurance by the sum thus paid, and an additional payment must be made for reinstatement of the insurance in full.

Miscellaneous Insurance.—Every store, according to its particular problems, will have certain special insurance requirements.

For example, especially valuable goods may require protec-

tion by burglary insurance. Unless mentioned specifically, burglary policies cover solely open stock. They do not cover thieving, however. Cash and securities from the safe or vault may be included by special endorsement. Hold-up on the premises during business hours may also be included.

All store employees who are entrusted with the handling of funds should be bonded by some reputable bonding company.

If the business is a partnership, co-partnership life insurance is an excellent safeguard, particularly where one member of the firm is particularly valuable to the business.

Rain insurance has been used to some extent where special sales are planned for a certain day and have been widely advertised. Although the profits might be made by holding the same sale the following week, the expenses of preparing for the first sale would be lost.

CHAPTER XVI

THE SALESCHECK SYSTEM

The salescheck is the basis of all sales records. It not only gives disposition of merchandise and the money involved in the transaction but allows the sale to be credited to the particular department and salesperson. From the salescheck all sales records and audits are made. It also carries the merchandise through the packing and delivery departments and serves as a basis for returns and adjustments.

Saleschecks are usually made out in triplicate, although the duplicate form is quite common. The practice varies with the different stores, there being no uniform system. Some stores, for example, use three different kinds of saleschecks, for cash, charge, and C.O.D. The more usual method is to use two books, one for cash or charge, and the second for C.O.D. Some systems allow all types of sales to be made out on one slip.

Salescheck Make-up.—The salescheck for use in dry goods or department stores is ordinarily composed of six parts. The triplicate form of salescheck allows a more complete record for the auditing department.

On the original check there appear:

1. The shipping ticket. If the merchandise is to be delivered this is filled out and pasted on the bundle. Otherwise it is not used. More frequent practice is to use the triplicate for the shipping ticket. Few stores would permit their original check to leave as a delivery record. There is no standard practice, however.

2. The sales ticket. This section goes to the auditor's office.

3. The salesclerk's voucher. After being used by the salesclerk for balancing accounts, this also is turned over to the auditing department.

On the duplicate and triplicate are:

4. Duplicate and triplicate of shipping ticket, one for refer-

ence to the shipping department and the other to the auditing department.

5. Duplicate and triplicate of sales ticket, one for the customer and the other for the auditing department.

6. Salesclerk's voucher. After being stamped by the cashier it is returned to salesclerk, who keeps it a specified length of time.

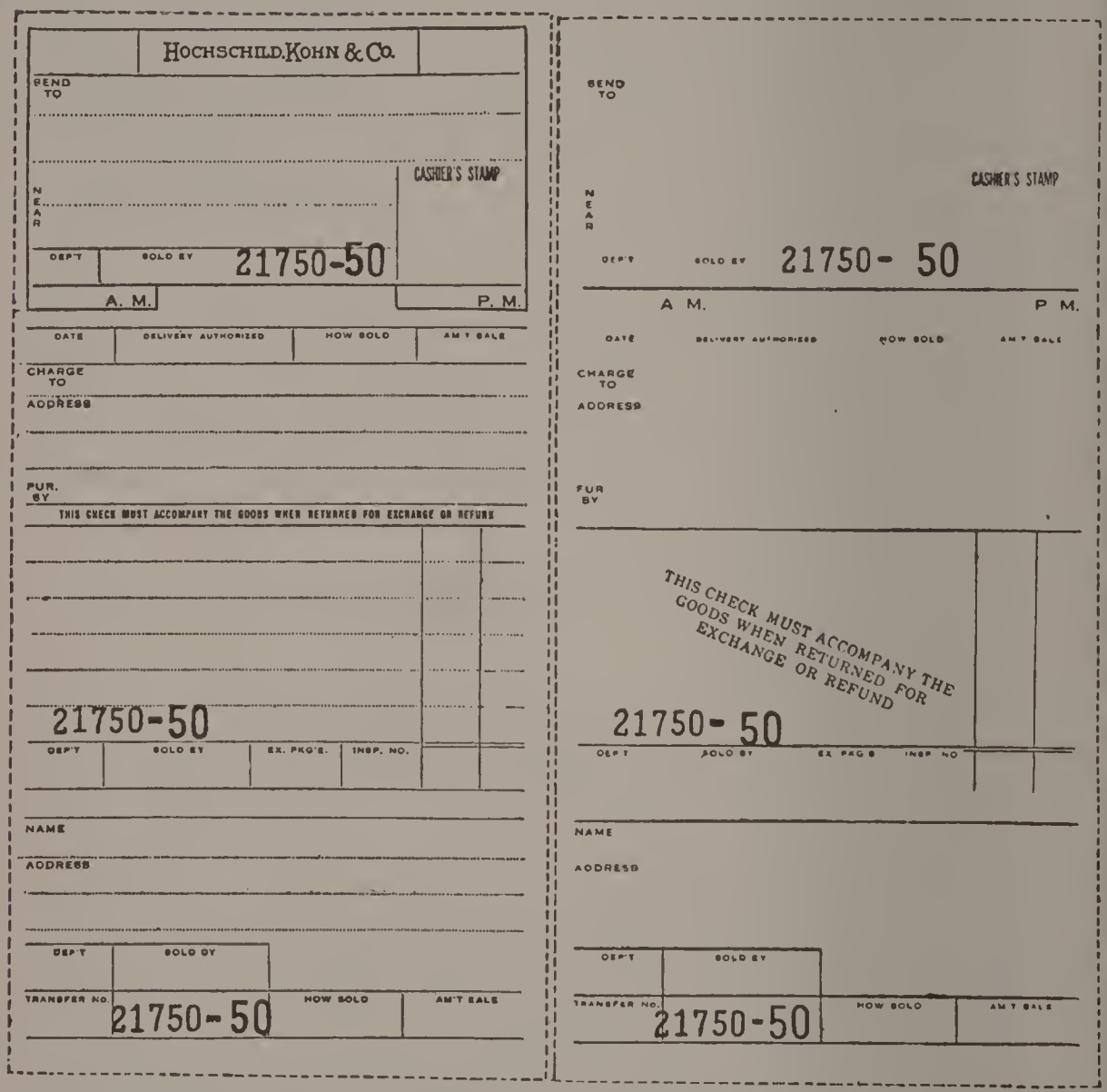


FIG. 33.—Form of salescheck using original and duplicate.

Many stores do not have their salespeople receive a voucher. If there is a tissue copy held in the tissue book or some other duplicate record, the voucher serves no real purpose.

Figure 33 shows the simpler form of salescheck system, where original and duplicate only are required. The six parts remain the same.

There are four ordinary variations in making out the salescheck, depending on the type of sale (five if C.O.D. is included). These are cash-take, cash-send, charge-take, and charge-send. The question of authorization of charges is treated in the chapters on Credits and Collections.

Figure 34 shows a typical C.O.D. salescheck, used by R. H. Macy and Company. The entire original check goes with the merchandise to the delivery department. There is no audit voucher or customer's memorandum.

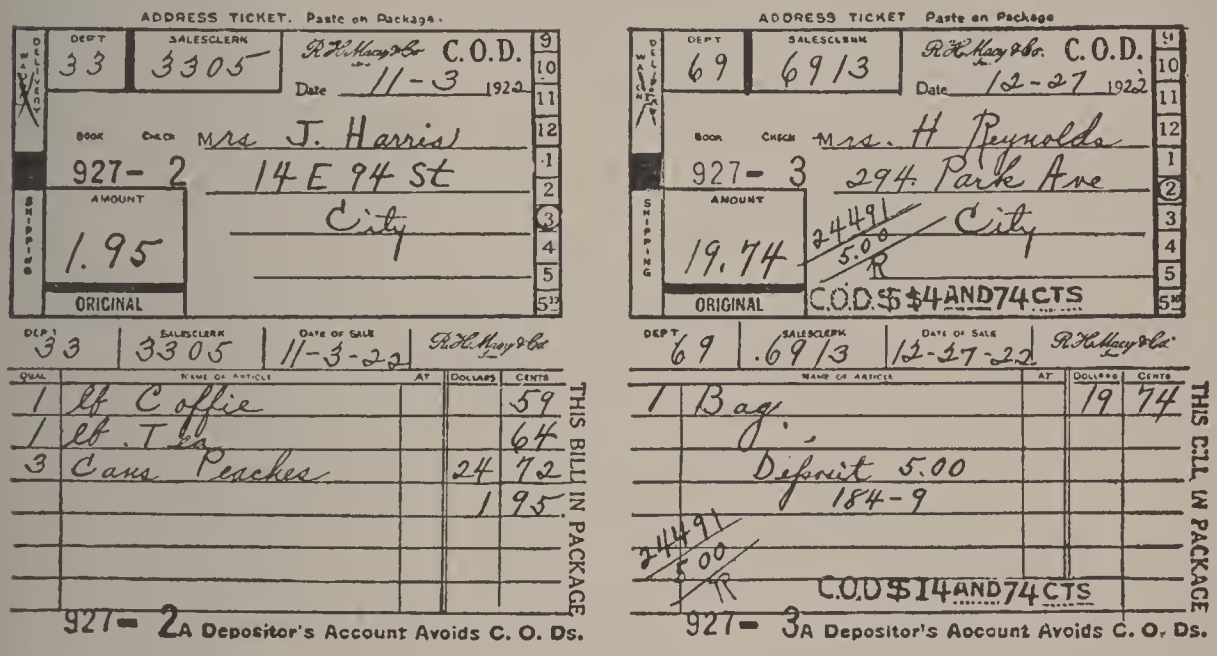


FIG. 34.—Typical C.O.D. salescheck.

Discounts.—One of the difficult problems in financial policy is the granting of discounts. While such discounts are likely to be taken advantage of it is almost impossible to refuse them where competing stores allow them.

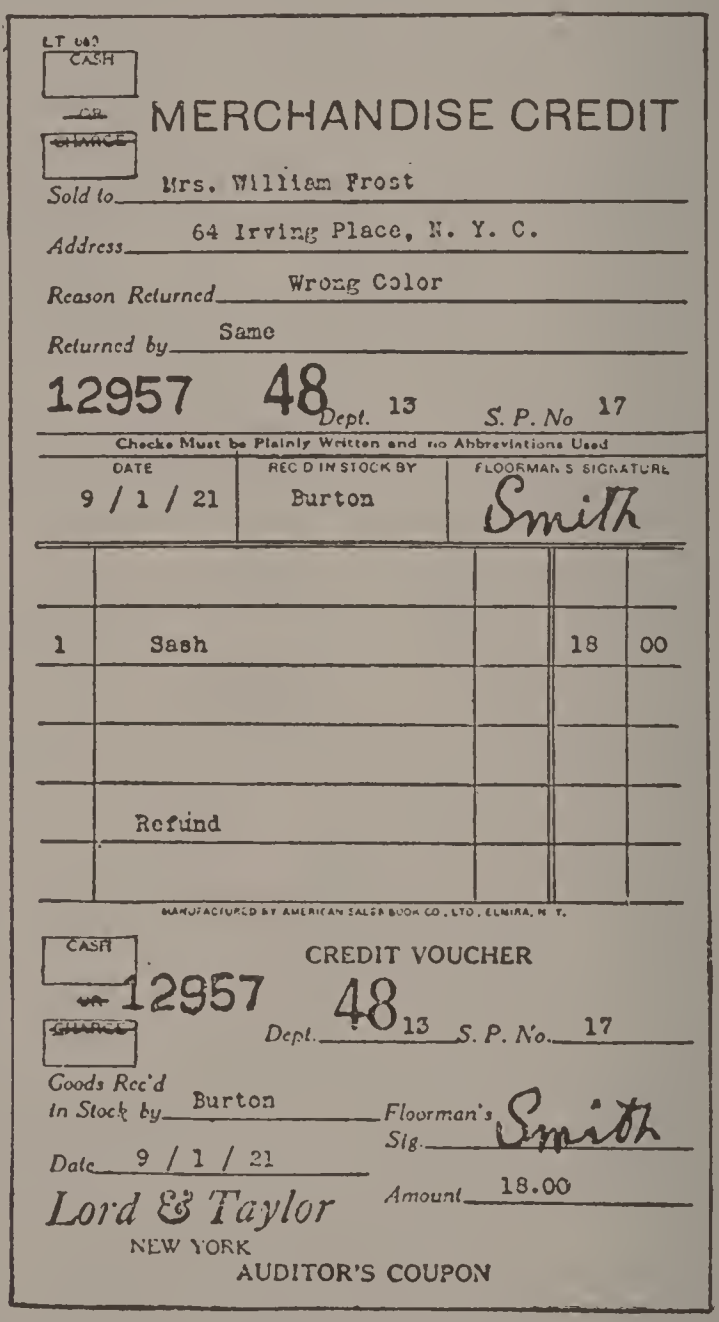
The following table, used by a large eastern store, is typical of discounts usually allowed:

1. Fellow-workers and members of immediate family.....10 per cent
2. Clergymen and charitable organizations.....10 per cent
3. Hotels—for hotel furnishings only.....10 per cent
4. Dressmakers—on goods required for making.....10 per cent
   —on ready to wear..... 5 per cent
5. Milliners .....10 per cent
6. Dry goods dealers (peddlers excepted).....10 per cent

Some stores limit trade discounts to cash sales while charging full rates for credit.

Many stores do not allow discounts to clergymen, nor is any discount allowed dressmakers on the purchase of the finished article, but only on material bought to make into their finished products.

Some stores give a quantity discount of 5 per cent for ribbons sold by the bolt, handkerchiefs by the dozen, laces by the bolt, etc.



LT 663

CASH

~~CR~~

~~CHARGE~~

MERCHANDISE CREDIT

Sold to Mrs. William Frost

Address 64 Irving Place, N. Y. C.

Reason Returned Wrong Color

Returned by Same

12957 48 Dept. 13 S. P. No 17

Checks Must be Plainly Written and no Abbreviations Used

DATE	REC'D IN STOCK BY	FLOORMAN'S SIGNATURE
9 / 1 / 21	Burton	Smith

1	Sash		18	00
	Refund			

MANUFACTURED BY AMERICAN SALES BOOK CO., LTD., ELMIRA, N. Y.

CASH

~~CHARGE~~

CREDIT VOUCHER

12957 48 Dept. 13 S. P. No. 17

Goods Rec'd in Stock by Burton Floorman's Sig. Smith

Date 9 / 1 / 21 Amount 18.00

Lord & Taylor

NEW YORK

AUDITOR'S COUPON

FIG. 35.—Special credit slip for returned merchandise.

Returns.—When a customer returns merchandise a special credit slip is necessary. Figure 35 shows the form in use by Lord and Taylor, used for either cash or credit. As this is merely for the store's record it consists of two parts only.

The Auditing Department.—The auditing department is responsible for the checking up of all cash, charge, and C.O.D.

saleschecks, deposit, credit, and refund checks, and for the tracing and duplication of missing checks.

From the totals of these checks, properly classified, are established controlling totals with which the various departments must balance. The auditing department then tabulates from the charge, cash, and C.O.D. saleschecks, the daily sales per department and per salesperson, which figures must balance with total charges, cash and C.O.D. sales for the day, from which are deducted the credits and refunds.

Many stores use one form for cash and C.O.D. refunds, and another when returned merchandise is to be credited on customers' bills.

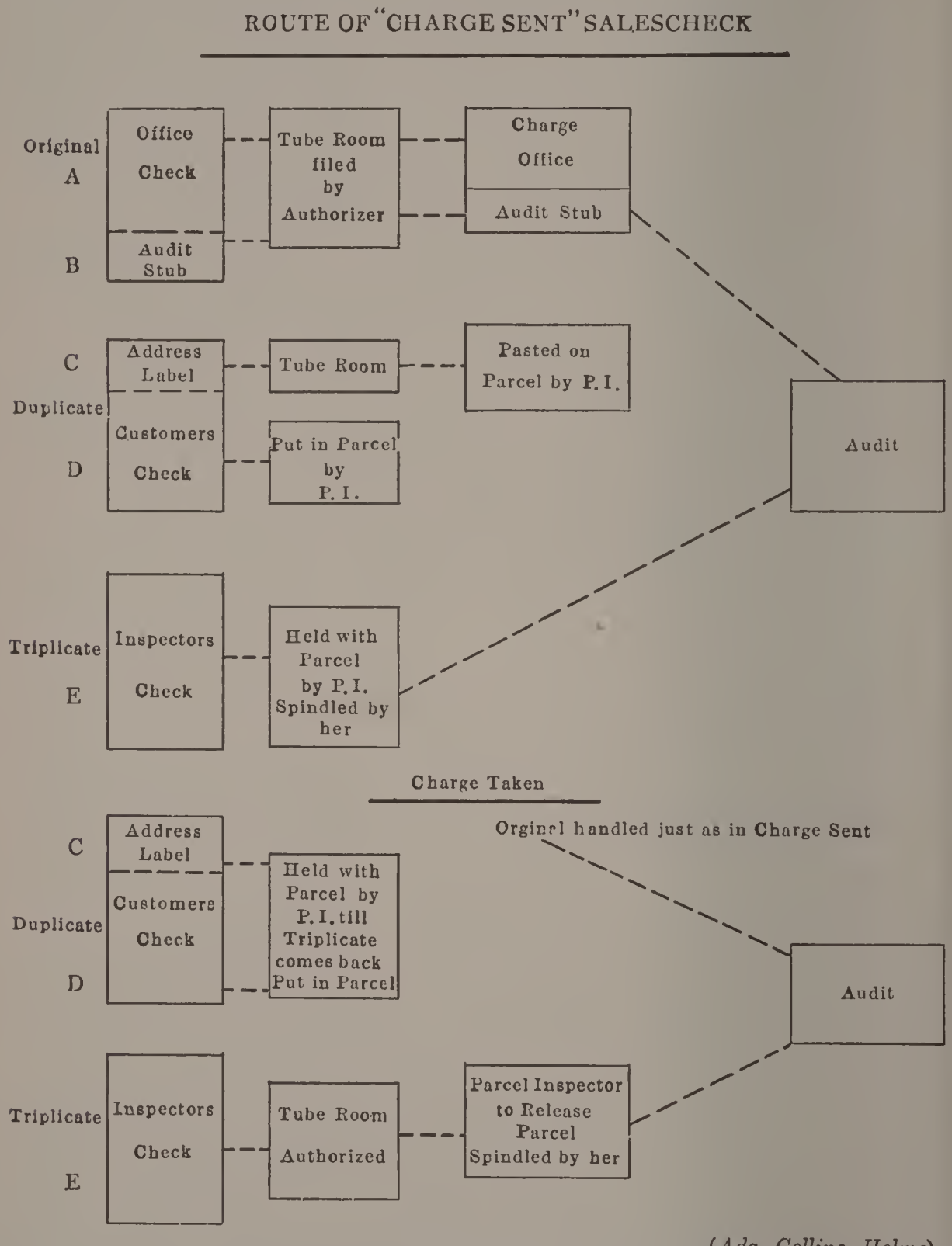
When the day's business is over, buyers send to the auditing department a report of their sales taken from the sales clerks' indexes, from which, on the following morning, is made up a departmental report of gross sales. This report is not official, but is formulated to give the executives of the store a quick report of the day's sales, pending the audited figures which are received later.

At the close of the day the salesclerks send their cash vouchers, daily want slips, charge and paid sales indexes, C.O.D. sales indexes and credit indexes to the auditing department in envelopes. These envelopes are opened in the morning, the vouchers are filed for reference, the want slips sent to the merchandise office, the sales indexes given to the operators, and the credit indexes to the credit audit clerk.

Charge Checks.—Figure 36 shows the route of charge-sent and charge-take saleschecks and the method in which they reach the auditing department. Charge-send checks are received from the delivery department and credit offices in boxes. Charge-take checks are collected in boxes by an auditing department messenger from the various cashiers' desks and are received by the credit office.

The sorters first straighten out all checks according to departments. The comptometer operators then check extensions, and compare the amount and serial number of the check with the corresponding amounts and numbers on the sales index. This comparison serves to make sure of three things: first, that no checks are missing; second, that no checks have

been missorted; and third, that amounts on checks have not been altered by the cashiers. If a voucher has been lost, it is customary to make a substitute voucher, see Fig. 37.



(*Ada Collins Holme*)

FIG. 36.—Method of routing saleschecks.

If saleschecks tally with the indexes, they are then figured on the comptometer and entered on operators' sheets. Index cards and sheets are then balanced by placing the total from the sheet on the card and footing the card. The sheets are

then added and a total of all sheets and index cards made, which must balance. Totals are placed on the back of the last check and on operators' sheets.

Special operators should check the totals by adding all saleschecks. If not in balance, each department should be figured separately. If still out of balance, it is necessary to go over each sales book.

After the chief operator has made a summary of the totals of all the operators' charge figures for the day, the checks are given to the ledger audit clerks, who sort them according to ledgers and list and total checks on adding machines. The total of all the ledgers must balance with the chief operator's total charges. When the figures are balanced, the checks are

Dep't	Salesperson	Manner of Sale	Amount of Sale

Serial No.		Check No.	
			THIS IS TO REPLACE LOST CHARGE STUB MADE BY BOOKKEEPER.
Mo.	Day	Year	

Fig. 37.—Substitute voucher (actual size).

stamped "audited," dated, and sent to the bookkeeping department with the lists attached.

Cash Records.—All records of cash taken in or refunded are received from the cashier. In addition, the cashier makes out a daily summary report showing total amount of cash turned in. The saleschecks are balanced with the cashier's report. If out of balance, they are rechecked, listed, and shown to the cashier. They are then given to the sorters and arranged according to department and sales numbers, and given to the operators.

Checks are first entered on balance sheets, and then compared with index cards to see whether totals agree. If everything is in order the operator foots the cash column on her sheets. The chief operator receives the total from each

operator. If out of balance, the work is checked back, first by departments, and then by figuring each sales book separately.

Cash Registers.—The various cash registers throughout the store should be audited according to regular schedule. At the close of the day a representative of the auditing department should tear off the tape containing the record of each amount registered, should note on the tape the total as shown by the indicator and reset the register for the next day's business.

In departments where registers which stamp regular saleschecks are used the checks received in the auditing division are balanced with the cashier's report of receipts for each register. The register tape is then analyzed per salesperson and entered in the audit cash book. The cash turned in, the tape reading, and the amount of checks must agree.

Where registers are used which do not stamp saleschecks, the register tape is analyzed and entered on the register reading sheet, which shows the amount sold by each salesperson. From this sheet is made a sales index for each salesclerk, showing the number of sales, amount, and department. After the cash sales for the day are balanced, the saleschecks are filed for reference.

Records of cash, checks, money-orders, etc., received on account are sent to the auditing department where they are assorted alphabetically and listed on adding machines. When balanced with the cashier's figures they are sent to the bookkeeping department.

The refunds made by each cashier are listed separately, and balanced with the refund list. The grand total is then balanced with the cashier's figures and the refunds given to the credit clerk in the auditing department.

Cash debits, which are received from the cashier's office attached to list, are then listed in the auditing division and balanced with the cashier's figures.

C.O.D. Sales.—When C.O.D. saleschecks are received from the delivery department they are first examined to see that no register numbers are missing, then sorted into departments, and given to the operators. Checks are then extended, com-

pared with index cards, and entered on operators' sheets. Finally C.O.D. columns are footed.

The chief operator receives totals from individual operators and verifies the amount by adding all C.O.D. checks. Checks are then re-sorted into register numbers and turned over to the C.O.D. bookkeeper. Checks that have been paid are withdrawn from the day's work and attached to their respective cashiers' C.O.D. sheets. Total of all checks attached must balance with the total received from the cashier.

C.O.D. merchandise credits are received from the returned goods department and sorted into register numbers. C.O.D. debit checks for which a merchandise credit is received are withdrawn from the file and the total of canceled C.O.D. checks must balance with the total of merchandise credit checks. All C.O.D. checks not accounted for are listed and sent to the delivery department to be traced.

Missing Checks.—Missing check sheets are first compared with the index cards by one of the tracer clerks, who makes a list of the stubs required to locate the missing checks. The triplicate or tissue copy is referred to when tracing lost checks. A report of missing checks is made daily to the general office.

The missing check clerk should check the "holding stubs" on file in the charge authorizor's office, as this would account for many so-called "missing checks."

When the credit department holds a check pending investigation, it should notify the audit, which notice is given to the missing check clerk.

When a check is lent by the auditing department, an order is required which is filed in place of the check and retained until the check is returned, when it is destroyed.

Credits.—All credits for goods returned through the delivery department, which include call credits, split credits, and C.O.D. credits, are collected from the returned goods room by a clerk from the auditing department who receipts for the call and split credit by stamping the copy of the credit in the delivery department books with the date and the word "audited" and signs for the C.O.D. credits in a book where the register numbers are entered.

Credits for goods brought in personally by the customer, or

merchandise credits, are received in the audit through the credit office, and from the departments in the envelopes, with the credit index cards, etc.

Merchandise credits are first sorted by departments and checked off the index cards. All credits are then sorted by departments and listed by machine according to sales and department numbers. Refunds are added to the list. Figures are entered on the general sales sheet, from which they are posted in the general sales book, and in a book containing a record of the individual credits.

When balanced, the credits and refunds are stamped with the date and the word "audited," and the charge credits listed according to ledgers and sent to the bookkeeping department with lists attached.

All missing call and split credits from the delivery department are traced by a clerk in the returned goods room from open entries on their books. All missing C.O.D. credits are traced by a clerk in the C.O.D. department of the audit.

Merchandise or floor credits are audited according to their serial number and closed out as they come through. A missing list is made of the open entries, from which duplicate credits may be made out when required.

Memorandum Charges.—In certain departments, such as rugs, furniture, and upholstery, goods are sent to customers on memorandum charge. Special sales books are used for this purpose. If the customer decides not to keep the goods or if a memorandum call is issued, care should be taken to see that a memorandum credit is made out on their return. If the customer wishes to keep the goods, the transaction is closed by making out a regular salescheck and issuing a memorandum credit to offset the memorandum charge.

Some stores use a regular salescheck which is stamped "on three days' approval." If at the end of three days the merchandise is not returned, the check goes through as a regular.

General Sales Records.—When the entire day's sales have been balanced; the charge checks with the total of the ledgers; employees, mail order, and credit to cover charges; the cash checks with the cashier's report; and the C.O.D. sales with the sheets from the C.O.D. office; the operators then cross-

balance their sheets and turn them in to the chief operator who passes them to the clerk who keeps the general sales records.

The operators' figures are first entered on the daily report showing the charge, C.O.D., cash, and total gross sales per department. Credits are then entered on this sheet and deducted, thus giving the net sales for each department.

From this report the figures are posted in a book showing the charge, C.O.D., and cash gross sales; also credits, and in another book the net sales, both books showing the daily, weekly, and monthly figures by departments. A weekly comparative statement is made up from the net sales book and a weekly statement made for the paymaster of net department sales for the purpose of figuring selling costs.

At the end of the month charge and credit changes are made up from figures received from the bookkeeping department and added to or deducted from the sales report of the last day of the month.

The operators' figures are also entered in the department and individual sales book, which shows the gross and net sales by departments and salesclerks. The cash, charge and C.O.D. saleschecks are counted per department and per salesperson, a record of each is kept, and at the end of the month an "average value" sales report is made showing the gross sales and number of checks used in each department, and the average amount of each check.

Stock Figures.—When an inventory is to be taken, the statistical office sends a notice to the audit advising them of the department and date of inventory. The complete sales and return record of this department is then closed up and the stock figures established and entered on the notice received from the statistical office, which is returned to them.

Special Orders.—Special order books are made out in triplicate and used as follows:

The original copy is sent to the floor superintendent's file at the cashier's desk, where it is filed according to due date. The duplicate copy is sent to the buyer's office, from which he makes out his order to purchase the goods required, then files the slip alphabetically. The tissue copy remains in the book.

When the goods are ready for delivery, the salesclerk sends

the duplicate copy to the cashier with the salescheck. The cashier removes the original from the file and sends both copies canceled to the auditor. The auditor then destroys the carbon copy and places the original in its proper numerical position in the file for special orders.

L.O.G. Vouchers.—L.O.G. (left out goods) vouchers are made on all orders where goods owned by the customers are left at the store. In each case the value of the goods (estimated if necessary) is noted on the voucher. A "promised date" must be assigned to L.O.G. vouchers whether requested by customers or not.

The four copies of the L.O.G. book are disposed of as follows:

The original copy is sent to the floor superintendent file at the cashier's desk and filed according to date promised for delivery.

The yellow copy is retained in the department and placed in the alphabetically arranged file of unfilled orders.

The card copy is attached to the goods with the exception of the voucher, which is given the customer as a receipt when the goods are brought in.

The tissue remains in the book.

When the goods are ready for delivery, the salesclerk sends the yellow copy and her salescheck, if any, to the cashier. In case of an L.O.G. voucher where no charge is made for work, and the customer takes the goods at the time, it is not necessary to make out a salescheck. Each day, when the L.O.G. vouchers are received from the various cashiers, the clerks in the auditing department destroy the duplicate copies and file the original according to its serial number.

L.O.G. is very commonly known as "lady's own goods." Where a customer returns merchandise for re-alteration or similar cause these goods, while held in the store, are identified by the L.O.G.

Adjustment Vouchers.—An adjustment voucher is made out whenever an adjustment of a customer's claim involves an expense not properly chargeable to the sales department where the goods were purchased. Floor superintendents fill out the vouchers personally, charging the expense to the department

at fault and crediting the department from which the sales were made.

In case of damage in delivery, the charge should be made against the delivery department, express company, or parcel post, as the case may require. The original copies of the adjustment vouchers are sent to the auditing department, where they are audited and a departmental statement made out.

Adjustments which involve the express company should properly be made by the traffic department rather than by the floor manager.

CHAPTER XVII

CREDITS

Attempts to do away with credit have been only partially successful. As long as customers are willing to pay for credit service, it will be extended to them. Whether or not credit customers are profitable to the retail store depends on the manner in which the department is run and the character of the personnel. It is generally held that the careful extension of credit to a customer has a tendency to create a certain sense of loyalty to the particular store with which the credit account is enjoyed. Competition, however, has made credit easy to obtain, and it may be questioned how far this theory holds good.

The Credit Department.—The credit department should be laid out with two ideas in mind. First, the efficiency of the layout should be considered, because the value of the credit service is dependent on the speed and the accuracy with which it is rendered. Second, credit applications and conferences between the customers and members of the credit department must be conducted with the greatest privacy. Hence, small offices, well lighted and ventilated, and arranged to give a proper psychological effect of mutual confidence, should be preferred.

Placing the credit department on a scientific basis has naturally brought with it a recognition of the fact that if the customer is impressed with the dignity of the credit department's function, there is less opportunity of friction.

The Retail Credit Men's National Association states that the first consideration in regard to the credit department should be its general accessibility, including adequate elevator service. According to this authority the ideal location, circumstances permitting, is a central position on one of the upper selling floors or adjacent thereto.

The Credit Manager.—The credit manager should either be an officer of the firm, or should report directly to the chief financial executive. The function which the credit manager fulfils as a representative of the store to credit customers has a marked effect in advancing or retarding the growth of the store.

The credit manager has a great deal of responsibility. He manages the opening of accounts and their collection; he authorizes charges and C.O.D. sales. He plans and installs methods of identification. In some stores he has charge of the bookkeeping and auditing departments. The larger the store and the more credit accounts exist, the more assistance the credit man will require in carrying out his duties successfully. He remains the ultimate arbiter, however, and should always have control of closing and re-opening accounts, etc.

It can readily be seen that the type of duties performed by the credit manager requires a type of man described by Franklin Blackstone of the Joseph Horne Company, Pittsburgh. He says the credit man must have the following qualities:

> character, sagacity, perspicacity, confidence, optimism, faith, integrity, tact, suavity, diplomacy, alertness, courage, psychology, physiology, personality, intelligence, perception and finesse. In addition to these qualities he must be an instructor, to instruct the public in the meaning of credit, and an executive to see that the organization under him possesses those necessary qualities, and directs the granting of credit in accord with the spirit of the profession and the institution.

In addition to all these points the good credit man is known by the exceptions he makes to the rules rather than by his strict enforcement of them. A fundamental quality of the credit man is his knowledge of people.

Divisional Credit Managers.—In the large stores it becomes a physical impossibility for the credit manager to carry out personally the opening of all accounts and the handling of them. Consequently the work is divided among so-called divisional credit managers. In the J. L. Hudson Company, of Detroit, for example, five divisional credit managers handle approximately 27,000 active accounts. While they have the

Form 46

Application for Credit Account

Acct. No. 662 Date Jan. 21/20

Mr. Matthew Bennett

Residence 42 John St.

Tel. No. River 663

Kind of Business or Employ Salesman

Business Address 207 Olive St.

How Long in Position 7 years Sal. $6.000 00

Account Opened by Self Limit

Recommended by

Bank Reference Second National Bank

References White, Black & Jones
The Federal Co.
The Mound City Store

Real Estate at Val.

Enc. Mer. Rat.

Authorized Buyers

Bills to be sent to Matthew Bennett

Stitt, Baer & Fuller D. G. Co.

Class Rep'g	Date Opened	H. C.	Av.	Pays	Date Reported	Remarks

FIG. 38.—Credit application form.

authority to open and pass on accounts, when in doubt they consult with the credit manager.

Applications.—It has come to be a general principle in the granting of credits that information must be secured in advance rather than afterwards. Furthermore, a personal interview is desirable, if it is possible to arrange. By tactful questioning the credit man finds out the basis of the customer's credit. This may be financial or moral. Financial

---

For And In Consideration of the sum of One Dollar and other valuable considerations to me in hand paid by FRANKLIN SIMON & CO. Inc., of 416 Fifth Avenue, New York City, the receipt whereof is hereby acknowledged, I hereby guarantee the payment of any and all bills of and for merchandise that may be sold by said Company, its successors and assigns on and after the date hereof, to.....

of....., provided, however, that my liability shall in no event exceed.....per month.

This guarantee shall continue in force from month to month until such time as I shall give the said Company written notice of the discontinuance thereof and all bills for merchandise sold prior to the receipt of such notice have been paid. Notice of default and of separate transactions is hereby waived.

New York,.....191....

WITNESS: .....(L. S.)

Address.....

Fig. 39.—Guarantee Form.

responsibility is governed by income or salary, ownership of real estate, etc. Moral responsibility is determined by business or social connections. To confirm information secured, references are obtained, either trade, personal, or both.

Figure 38 shows the form of application blank in use by Stix, Baer and Fuller Dry Goods Company, of St. Louis, Missouri. This blank is for the customer to fill out. It contains name and address, husband's business address, and position or firm with which he is connected. Particulars as to salary are also required. The customer in this case is

permitted to name her own limit and if the store's investigation proves satisfactory this limit is allowed. In many cases the idea which the credit applicant has of a purchase limit affords considerable insight into the character of the risk. For example, a man with $1,000 a year income who plans to have a limit of $100 a month has such economic views that his application is likely to be very carefully scrutinized.

Knowledge of the city is highly desirable, if not essential. The place of residence is usually prima facie evidence of the applicant's general welfare, although in no way conclusive.

Many credit departments make it a rule to ascertain former address of the applicant, particularly in case he or she has recently come to the city. Almost every application blank requires the signature of the applicant.

The credit man should always impress the customer with the fact that settlements are to be monthly, and that this agreement must be lived up to. In some cases a guarantee is required, such as illustrated in Fig. 39.

References.—References will usually consist of banks, trade references, and personal references. As far as personal references are concerned, the requests should be typewritten, and a stamped return envelope enclosed. The following sample can be adapted to suit the special case:

JOSEPH HORNE COMPANY

Pittsburgh, Pa.

Department of
Accounts

.....192..

.....

.....

Dear Sirs:

Mr. Richard Roe, 99000 Tenth Avenue, Pittsburgh, formerly 70000 Doe Avenue, Chicago, has applied to us for a monthly charge account and has referred to you for identification purposes and as to financial responsibility.

Thanking you in anticipation of a response, on this letter-head, we are

Yours truly,

JOSEPH HORNE COMPANY.

The bank reference may be obtained on a printed form, which merely requires filling in by the bank. The following form has many excellent features:

JOSEPH HORNE COMPANY

Pittsburgh, Pa.

.....192...

Department of
Accounts

.....

.....

Gentlemen:

As we have been referred to you, please give us such information as you may have regarding the responsibility and credit standing of:

Name.....

Residence Address.....

Business Address.....Occupation.....

Members of

Yours truly,

JOSEPH HORNE COMPANY.

Amount of Credit Desired $.....per month

REPLY:

Account with us since.....

Loans.....Yes.....No.....

Collateral.....or personal responsibility.....or

endorsement.....

Is account satisfactory?.....Is it small?.....Moderate.....Large.....

Estimated Net Worth.....$.....

Remarks.....

This information is confidential and given without liability on the part of the bank.

.....

By.....

The financial reference is valuable only as indicating the amount of money ordinarily carried at the bank, and the character of the applicant's financial dealings with the bank in the way of loans.

Perhaps the most valuable sidelights on the customer's financial habits are the trade references. These give some indication of the manner in which the customer pays bills owing to other concerns. The form, as in the case of the bank reference, may be printed and arranged for the greatest convenience of the concern requested to fill it in:

JOSEPH HORNE COMPANY

Pittsburgh, Pa.

.....192...

Department of
Accounts

.....

.....

Gentlemen:

As we have been referred to you, please give us such information as you may have regarding the responsibility and credit standing of:

Name.....

Residence Address.....

Business Address.....Occupation.....

Former Address.....

Yours truly,

JOSEPH HORNE COMPANY.

REPLY.

Sold since.....19.....	Pay us in .....
Highest credit.....$.....	30 days..... .....
Now owing.....$.....	60 days..... .....
Is account satisfactory?.....	90 days..... .....
Remarks.....	4 Mo. or longer..... .....
.....	Account closed..... .....
	Collected by Attorney or Agency..... .....

.....

By.....

The Credit Bureau or Exchange.—Associations for the exchange of credit information are rapidly growing in scope and in importance. They range in size from the small group of closely affiliated stores to the city-wide credit bureau, and in some cases the state-wide credit-rating service. For successful operation of a retail credit bureau there is one fundamental condition, namely, full cooperation and no credit secrets.

The advantages are numerous:

1. Losses will be reduced because of the wider dissemination of information concerning poor credit risks.

2. Number of slow-pay customers will be reduced because of general tightening-up in collections.

3. Customers still owing accounts who have been lost track of are frequently found.

4. It serves to educate the public in the fundamentals of sound credit rating. In many cases this has been done by means of an advertising campaign conducted through the newspapers.

5. The credit man in many cases can base his reply to an applicant for credit on the report of the credit bureau. It avoids looking up references and lessens the risk.

6. Changes of address are promptly given to member stores, which allows files to be kept up-to-date.

7. The credit men belonging to the bureau are allowed to see the benefits of cooperation as opposed to cut-throat competition. For many years, although it was generally admitted credit was necessary for business, merchants persisted in the narrow policy of hoarding all credit information and regarding with distrust any attempt on the part of other merchants to obtain credit information regarding their patrons from them.

Specimen Credit Bureaus.—The work of many credit bureaus has been extended to cover the collection of accounts, and this phase of their activity is taken up in the following chapter. The function of the bureau in passing upon credit risks, however, deserves further consideration and for this purpose some of the better known organizations are described.

The Associated Retail Credit Bureau and Creditmen of

Omaha, a branch of the Associated Retailers of that city, employs sixteen workers, and has a total of 257,000 names listed on master cards, each of which contains an average of

"Co-operation is the source of progress."

Holding membership in the two great national associations for credit information, the Retail Credit Men's National Association and the National Association of Mercantile Agencies insures to the membership a qualified representative in every city and county in America

Douglas 2556 Douglas 2556

Associated Retail Credit Bureau & Creditmen

204 Leflang Building

OMAHA, NEB._____ 192____

As a favor to this office and a convenience to the business interests of Omaha, we are asking you to fill out the statement as below.

Accept our thanks for prompt answer.

Yours truly,

ASSOCIATED RETAIL CREDIT BUREAU & CREDITMEN.

Associated Retail Credit Bureau & Creditmen,
Omaha, Neb.

Sirs: For the purpose of establishing or obtaining credit now or hereafter with merchants, members of the Associated Retail Credit Bureau & Creditmen, Omaha, Neb., I hereby make the following statement, which I affirm to be true:

Name in Full

Address at Present

Former Address

How long have you lived in Omaha

Occupation or profession

By whom employed How long

Previous position or employer

Age Married Single Widow

Own real estate at Value

Monthly income or salary

Bank with Checking Acct.

Savings Acct.

Owe merchants at present time $

Have or did have accts. with following:

Personal References:

Dated Signed

FIG. 40.—Letter recording information from a new resident.

five reports of the individual's credit rating. Figure 40 shows the form of letter used for eliciting information from newcomers. Such procedure not only furnishes all member stores with credit information concerning this individual, but allows

the individual to establish charge accounts at any stores provided he gives satisfactory account of himself.

The master card, see Fig. 41, serves to determine the customer's credit standing. Each store's report is kept in a single column, the identity of the store being represented by a code number. Each letter in the left-hand column indicates the character of the account as follows:

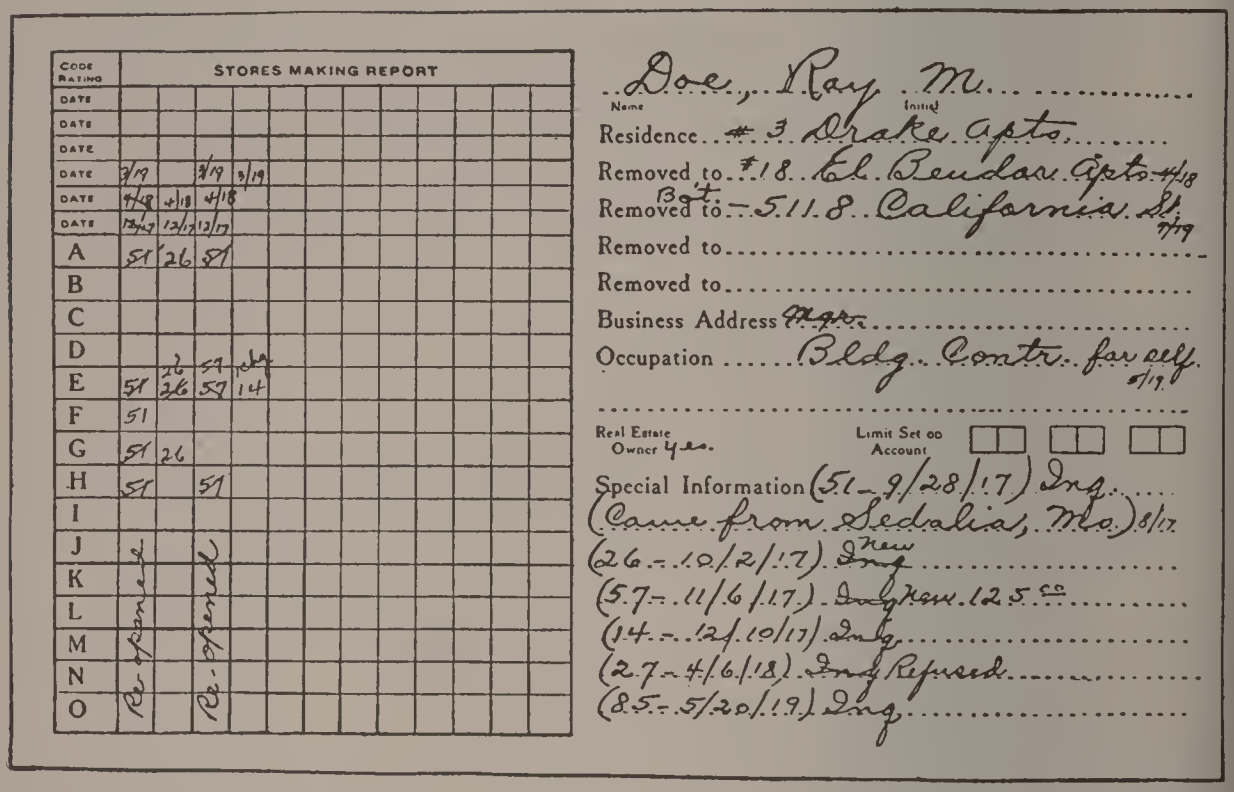
CREDIT CODE

Associated Retailers of Omaha

A	Desirable Account
B	Undesirable Account
C	Account given to collection agency
D	Dead Beat
E	Pays in 30 to 60 days
F	Pays in 60 to 90 days
G	Does not pay in 90 days
H	Account closed
I	Account opened less than one year ago
J	Account opened from one to three years
K	Account opened more than three years
L	Makes unjust claims in settlement
M	Is chronic returner of goods or approval crank
N	Seldom pays bills in full
O	Balance keeps increasing

The dates in the upper left-hand corner of the master card show when the last report was made. Crossing out the store code number shows that a new report has been made. Special

information, together with dates, is placed in the lower right-hand corner. Every member of the association reports new accounts, some daily, some twice a week, and some once a week. Changes in paying habits are also reported. If accounts are closed, exact reasons for such action are sent to the association.



(*National Retail Clothier*)

FIG. 41.—Master card which determines credit standing.

The Los Angeles Retail Merchants Credit Association.—The Retail Merchants Credit Association of Los Angeles can be termed a credit agency, since it not only prepares reports but makes collections, the latter, however, being subsidiary to the credit information service.

Following is the general form of service contract used:

SERVICE CONTRACT

I. The undersigned, hereinafter termed the *"Subscriber,"* hereby employs the *Retail Merchants Credit Association of Los Angeles,* a Corporation, hereinafter termed the "Association," subject to certain terms and conditions, to-wit:

From year to year as its agent to investigate, obtain, compile and on request, to furnish to said *Subscriber* for its sole use and benefit, information concerning the character, reputation, general standing, financial responsibility and paying habits of persons transacting business as principals for their own account, and as part consideration

therefor, agrees to pay to the Association concurrent with the execution of this instrument, and annually in advance thereafter the sum of Fifteen and no-100 ($15.00) Dollars.

And further agrees:

1. That the *Association* shall not be liable in any manner for loss or injury to the *Subscriber* resulting from its procuring, collecting and communicating such information.
2. That the *Association* does not guarantee the accuracy of said information.
3. That the *Subscriber* will neither ask for information for the use of other parties nor permit it to be done.
4. That this service does not contemplate furnishing reports on firms, corporations or persons not transacting business for their own account.
5. That the *Association* reserves the right to reject or cancel this contract at any time allowing for the unearned portion of the stated pecuniary consideration.
6. That all information supplied by the *Association* to the *Subscriber* shall be held in strict confidence and shall never be revealed to the persons reported, nor to any other persons.
7. That the *Association* may upon written notice increase or diminish its existing charges.

II. As an additional consideration therefor the *Subscriber* agrees to furnish to the Association:

(a) The names and addresses of prospective customers opening new accounts.

(b) All changes of residence, names and marriage status of customers known to the *Subscriber*.

(c) Names and addresses of all persons whose accounts have been closed or refused, placed out of the *Association* for collection, charged to suspense or to profit and loss.

(d) All bad checks, frauds, notices of non-responsibility and kindred information.

(e) Within thirty days after this subscription a complete list of its credit customers, including names and addresses, as the same appears in its ledger, the highest amount of such customer's purchases and the time of payment. And shall also furnish, upon request, the ledger history of any customer on the subscriber's ledger.

III. The *Subscriber* shall be entitled to:

(a) Reporting and Collection service at regular rates (see schedule on back hereof).

(b) Membership in the Retail Credit Men's National Association with full privileges.

(c) Daily service sheet.

(d) Privilege of using the "Name Letter" (if a user of Collection Department).

(e) All social and service features of the local and National Associations.

Four systems of reports are used:

1. Information contained in the file given over the telephone.

2. Tabulated trade clippings.

3. Report of personal, historical, financial, and paying information returned through investigation of the leads and references furnished by members.

4. Special report in certain cases by man who interviews party personally if necessary, but in any event complete report is rendered.

The association advises against the use of rating books as being out-of-date almost as soon as issued. It also believes that the indiscriminate offering of charge accounts will lower credit standards in the community.

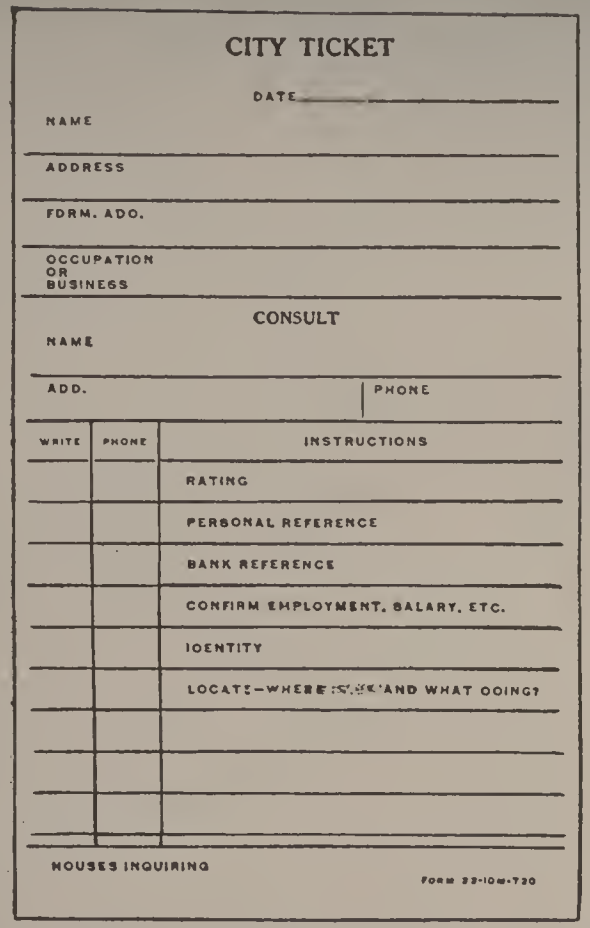
Figure 42 shows forms used in making reports to subscribers.

The Small Town and Rural Credit Bureau.—While the difficulties to be overcome in establishing cooperative methods between city retailers have been great, the obstacles met with in small town and rural communities are ten times greater. The Weld County Credit Association, of Greeley, Colorado, has been successful in reducing credit losses. The problem was a difficult one owing to the volume of transient labor and the facility with which farmers could trade in several towns by use of automobile. The county credit system prevented starting new accounts in various towns by the same individual with dishonest intent. An individual with a bad record has no opportunity of starting accounts because a report on his case has preceded his request for credit.

According to an official of the bureau,

> records are so complete that we can show size of farm, exact location, how many sons assisting in farm operations, whether owned or rented, if rented who owner is, kinds of crops raised on farms, exact acreage as to beets, potatoes, and principal crops raised on farms, etc.

Notification.—The next step after investigation of references should be notification of the customer that her application has been accepted or refused, as the case may be.



CITY TICKET

DATE

NAME

ADDRESS

FORM. ADD.

OCCUPATION OR BUSINESS

CONSULT

NAME

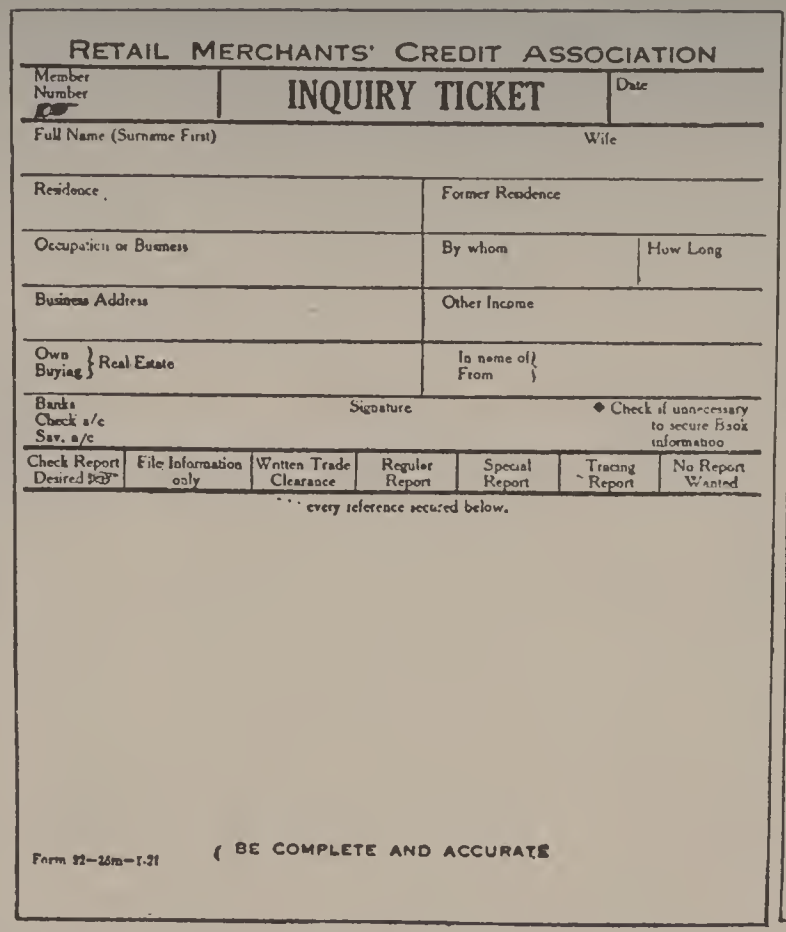
ADD. | PHONE

WRITE	PHONE	INSTRUCTIONS
		RATING
		PERSONAL REFERENCE
		BANK REFERENCE
		CONFIRM EMPLOYMENT, SALARY, ETC.
		IDENTITY
		LOCATE—WHERE IS [illegible] AND WHAT DOING?

HOUSES INQUIRING

Form 33-10m-720

City ticket used by reporters on overflow to a department.



RETAIL MERCHANTS' CREDIT ASSOCIATION

Member Number | INQUIRY TICKET | Date

Full Name (Surname First) Wife

Residence | Former Residence

Occupation or Business | By whom | How Long

Business Address | Other Income

Own / Buying } Real Estate | In name of / From

Banks
Check a/c
Sav. a/c

Signature

◆ Check if unnecessary to secure Book information

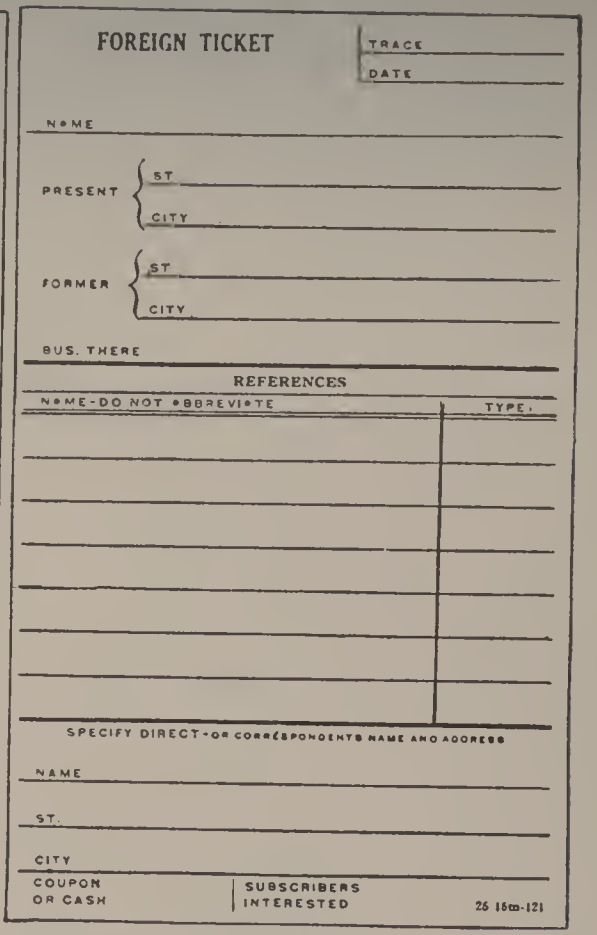
Check Report Desired ☞	File Information only	Written Trade Clearance	Regular Report	Special Report	Tracing Report	No Report Wanted

every reference secured below.

Form 32—26m—1-21

(BE COMPLETE AND ACCURATE

Standard ticket in yellow and pink, yellow to members and pink for telephone requests.



FOREIGN TICKET

TRACE

DATE

NAME

PRESENT { ST / CITY

FORMER { ST / CITY

BUS. THERE

REFERENCES

NAME—DO NOT ABBREVIATE	TYPE

SPECIFY DIRECT OR CORRESPONDENT'S NAME AND ADDRESS

NAME

ST.

CITY

COUPON OR CASH | SUBSCRIBERS INTERESTED

26 16m-121

Monitor ticket used for out of town references.

(*Retail Merchants' Credit Association of Los Angeles*)

FIG. 42.—Forms used in making reports to subscribers.

If the account is accepted it is necessary to state the limit which has been set by the store, and other terms, if such exist.

It is also advisable to set forth at length the system of identification in use at the store, the reason for its necessity, etc.

The usual letter terminates with an expression of thanks for the opportunity to be of service, and is signed by the divisional credit manager.

It is quite essential that a direct application for an account should receive an equally direct reply either granting the application or declining it.

In the first case, this is a very simple matter as the customer does not particularly care what form is employed so long as the answer is favorable. Some firms go to considerable expense in sending highly engraved notification forms, for two purposes. First, to let the customer know that her request has been granted, and second, to bring to her attention in a very definite way the terms of the store regarding payment of bills.

If the customer did not make the request in person at the office, it is always advisable to mail her a signature card for record. This card can also be drawn in such a way as to have the customer assume obligation of all purchases made not only by herself but by her husband and any person of the family purchasing on the account.

In the case of declining the account the problem is more difficult. The customer may have been a very satisfactory cash patron who, if she is undiplomatically handled, will withdraw her cash patronage as well. At this point, it might be well to remember the old adage of "Let sleeping dogs lie," because, while hundreds of customers may bring the store a most desirable cash trade, it does not always mean that their charge business can be solicited; some of them pay cash by force of necessity.

The Wm. Filene's Sons Company, of Boston, Massachusetts, have a form which reads as follows:

Will you not bring up again at some future date the question of opening an account with us?

Just now the results of our investigation hardly justify our selling you on open account—please do not misunderstand us—we fully

appreciate that your character and intentions are of the best; it is simply that your financial responsibility, so far as we can determine, does not quite measure up to our rather strict requirements.

May we, therefore, express the hope that you will continue for the present to purchase for cash and at the same time tender our appreciation for past patronage.

Bullock's of Los Angeles use the following form:

Referring to your application for a charge account, we regret to advise that we are delayed in opening the account owing to the fact that we have not as yet been able to obtain the information which would permit us to do so.

We have no doubt that you are in a position to submit further information bearing on the matter and should you care to do so, it will be our pleasure to give your application further careful consideration upon hearing from you.

Assuring you of our desire to show you every consideration in the matter we are——

One of the large New York houses writes the customer to the effect that owing to the fact that the information brought to their attention is not sufficient for them to extend the credit requested, they suggest that *the application be withdrawn* and that another application be made, say, six months or a year later. Their contention is that the customer has not been declined; he has had an opportunity to withdraw his application and nothing appears on their records against him. It might so develop that his financial circumstances might improve so much as to justify their granting his request. They claim to have salvaged a great many such accounts which otherwise would have been turned down and lost.

Identification.—The principle seems to be generally conceded that identification and authorization should be separate.

Means of identification can be divided into two general classifications with modifications ranging all the way between. The coin system, which many houses have adopted, provides for the issuance of a coin to each charge customer as a means of identification. The signature system requires the customer to sign all "take with" charges. In many cases the floorman's signature is required in addition. Both these methods have advantages and disadvantages.

The advocates of the coin system stress the danger of

delaying the sale, while advocates of the signature plan point to the increased protection against fraud.

Halle Bros., of Cleveland, require customers to sign for all "charge-take" purchases. If there is anything suspicious about the signature it is sent to the credit department for comparison with the original. It has been found that customers accept the store's ruling in regard to signatures without difficulty. Charles R. Egeler, the credit manager, states that frauds have decreased as a result of the signature system and attempted deceptions have been detected.

A further point in favor of the signature is that, in case of apprehension of the defrauder, the charge of forgery can be added to that of larceny and is generally more easy to prove. Rudge and Guenzel, Lincoln, Nebraska, require signatures on all charge purchases whether "take-with" or "to be delivered." It was felt the charge-take customer might feel she was under suspicion were her companion, who was having goods sent, not obliged to sign.

The store using the coin system must always provide for cases where the customer does not bring the coin with her, the danger of counterfeiting, and presentation by illegitimate possessors of found or stolen coins.

The report of the committee on credit department methods of the Retail Credit Men's National Association makes certain definite recommendations regarding the use of coins. It says:

> Positive identification is essential on "take-with" charge sales. An identification coin, or similar numbered symbol, should be furnished the customer. When the customer is unable to present the coin or symbol the floor superintendent should be required to identify the customer and indicate on the back of the sales check the manner in which identification was determined; also to sign for delivery, on front of sales check. In addition thereto, the customer should be required to sign the sales check when the coin or symbol is not shown.
>
> The same form of identification should apply when goods are delivered to an address other than that to which the charge is made; or when "take-with" charges are purchased by one person in the name of another.
>
> When an identification coin is mailed to a customer, a return postcard, acknowledging receipt of the coin, should be enclosed for signature.

Systems of Checking Coins.—The report goes on to describe methods of checking coins. When merchandise is delivered merely on presentation of the unchecked coin, it is recommended that books containing the coin numbers should have an additional space wherein to enter the name of the person to whom the coin is charged. The space in front of the number should be used to check the coin if lost, or the account closed or suspended. It should not be reinstated but a new number issued in each case.

Another method of checking coins is by the use of a card system. Cabinets containing these cards are placed in various parts of the store. Only such numbers as it is desirable to control are placed in the cabinets. Numbers of lost coins, for example, are immediately filed. If a coin is found, the card is withdrawn and destroyed. When an account is suspended the number of the coin is placed on a card and inserted in the cabinets, and removed when the account is reopened.

Authorization.—The question of how charges shall be authorized has agitated the retail credit world for a number of years. Although messengers are employed in a small number of specialty shops, the main systems of authorization are either by conveyor tube, or telephone. Many systems combine the two, using the telephone for "charge-takes" and the tube system for "charge-sends."

Four distinct methods can be outlined:

1. Central tube room authorizing all charges.
2. Charge-takes authorized by telephone; charge-sends authorized in delivery room.
3. Charge-takes authorized by telephone; charge-sends by tube system.
4. All charges authorized by telephone.

Central Tube System.—The most modern form of tube authorization is known as the automatic belt type. Charge carriers are automatically divided from cash carriers by mechanical separators. The former go on a fast-running belt conveyor to the alphabetical sorter in the authorizing section of the tube room.

The tube room layout provides for alphabetical subdivisions of the index. Carriers, having first been opened by

a sorter, are brought to the authorizers by gravity chutes. Beneath the top of the authorizing table runs a tube line leading to the dispatcher, who returns completed transactions to the out stations.

A "refer" line runs from each authorizer to the credit office in case it is necessary to get further authorization.

Another central station layout provides for a multiple index system for each authorizer. The only necessity here is to see that the carriers are evenly distributed among the authorizers. The sorter is done away with.

A third system provides for receiving all "take-with" charge carriers on the inside and "send" carriers on the outside of the tube arrangement. In the aisle between the tubes and on both sides, outside, are placed rotary indexes on the unit plan arranged so that authorizers can step to any portion of the alphabet very quickly. Names on indexes should be only those in good standing. To insure speed and avoid chances of mistakes it is customary to use green carriers for "take-with" credit sales, white for cash and red for those to be sent.

The Telephone-Delivery Room System.—Where a telephone system is used for the authorization of "charge-take" transactions, methods differ. Salesclerks are sometimes allowed to deliver up to certain limits without waiting for authorization, while floormen are allowed to pass upon larger amounts. Above a certain limit all charges are referred to the credit authorizers, however.

If clerk-wrap is used, the sales check is inserted in the stamping device of the charge telephone. If the authorizer finds the account O. K., the pressing of a button controlled on the switchboard in the credit office stamps the sales check. If the inspection system is used, the inspector performs the operation of having the check canceled.

While it is true that a great many of the electric phone systems require their operator to make what practically amounts to a duplicate check for their sales slips, this duplication of effort slows down the service that the store is supposed to give its customer and later duplicates the number of paper transactions and does not produce any real good in the bookkeeping department.

In the Bailey Company of Cleveland the slips are not made out, but the operator refers directly to the ledger on all refer transactions, immediately giving the answer back to the clerk.

According to the report of the Retail Credit Men's National Association, on the majority of accounts it is advisable to refer direct to the ledger to get an accurate record. The credit switchboards are arranged in units corresponding and associated with the alphabetical subdivisions of ledgers and billing machines. In this way the different units of the switchboard are lined up in a row parallel with the book-keeping machines. Directly back of the switchboards, with an aisle between, are the ledger racks, so arranged that the authorizer standing behind the switchboard has immediate access to the ledgers from one side of the racks, while the billing-machine operators have access to the ledgers from the other side of the racks. In this way the authorizer is always near both the operator and the ledger racks.

Each switchboard operator has a pad of small forms printed with a space in the middle for the customer's name and address. Along the marginal edges are amounts from one cent up, the dates, authorizer's number, etc. The operator writes down name and address and checks amount and date, at the same time calling the charge to the authorizer. If it is O. K. the operator stamps the check. The operator's form is placed in the ledger as a temporary posting.

All telephone authorization can be centralized in the credit office, since 200 lines can be concentrated in a space 4 feet by 8 feet.

Authorization in the delivery room of "charge-send" sales is done from the packages. Packages are sorted alphabetically or by street names and chuted to the authorizers. In such a system as this indexes should be of such a kind as to allow the recording of the maximum number of names in the minimum amount of space. The delivery system of authorization frequently causes errors and necessitates a certain amount of night work.

Telephone and Tube Combination.—Combination systems, which are used in a large number of stores, aim to secure the maximum speed in credit authorizations. "Charge-take"

transactions are authorized by telephone as previously described.

"Charge-send" saleschecks are sent through tubes to the tube room, where they are sorted and referred to authorizers assigned to specified divisions of the index.

Automatic Telephone.—Credit desks are arranged in the authorization department according to the division of the alphabet, with telephone connecting each department or station where credit is to be passed. The inspector or salesclerk selects the division of the alphabet desired and is automatically connected with the correct authorizer.

The authorizer records on a pad the name and address of the customer, the department, and the amount of sale. If she finds the charge O. K., she calls back an identifying number corresponding with the entry number on her pad. This identification number is placed on the lower left-hand corner of the sales check and forms the authorization for delivery of the package.

The automatic stamp is not used in this system. If a salescheck comes to the office without the identification number, it is immediately investigated. The pad of entries kept by the authorizer serves as a check on customers' purchases for the day.

Irregularities in Charges.—It frequently happens that sales slips contain certain errors which must be corrected before the charge can be authorized. Addresses may be different, initials of the name may be wrong, etc., in addition to incomplete filling out of salescheck by salesperson. Figure 43 shows a convenient form for use by authorizers when it is desired to make corrections in saleschecks, or when it is necessary to communicate with the salesperson in regard to the sale.

Authorizers' Authority.—The function of the general authorizers in the tube room, delivery department, or wherever they are located, is usually clearly defined. If the charge exceeds the limit, or a certain percentage of the limit, the official known as the "refer" authorizer, located in the credit room, must be communicated with. In many cases the "refer" authorizer is an assistant to the credit manager.

JOSEPH HORNE COMPANY

Returned For Reason Checked in Margin. Comply with and Send Back at Once Through Tube

1 Address not as indexed: See Dept. of A/c
2 Are goods on approval?
3 Amount of money received incorrect
4 Charge incorrectly
5 Coin number required or goods sent home
6 Coin number should be entered on saleslip
7 Counterfeit (mutilated) money
8 Comply with and deliver goods at once
9 Errors in figures or figuring
10 Give former address
11 Give purchaser's address
12 Give register number
13 Have O K'd by Adjuster
14 Have O K'd by.....
15 Have saleslips examined by inspector
16 Have marked void and make out new saleslip
17 Have made out with indelible pencil or ink
18 Have clerk see.....
19 Have O K'd by the Supt or Paymaster
20 Have Bank Check (Refund Checks) endorsed
21 Have check properly countersigned
22 Holding at Department of Accounts
23 Identify the purchaser
24 Indicate Name of City on Bank Check
25 Indicate whether net or regular
26 Initials incorrect
27 Indicates purchaser's name (initials)
28 Junior or Senior
29 Keep saleslip but return purse
30 Local reference (identification) required
31 Make figures, initials, name and address legible
32 Make saleslip out correctly
33 Name, address required on bank check transactions
34 Name and address on all saleslips
35 Name incorrect
36 No record of an account in this name
37 No money received
38 No original (duplicate) received
39 Refer to Floorman
40 Request clerk to call at Dept. of Accounts
41 Request purchaser to call at Dept. of Accts.
42 Send all purses down to be examined
43 Special identification required
44 State transaction
45 State other initials
46 State amount of money received
47 Telephone order No. required
48 Use proper purses
49 Was discount allowed at time of purchase?
50 Written order required or book; See Dept of A/c
51 .....
52 .....
53 .....

Clerk No.....Dept.....Date.....

FIG. 43.—Form used when making corrections in salescheck.

If initials or addresses differ, some stores require direct reference of the charge to the "refer" authorizer. In any case charges on restricted accounts are transmitted to the "refer." In large stores several "refer" authorizers may be necessary. The ledger, balance cards, or whatever system is used to show the customer's account, should in all cases be near at hand.

In order that the indexes from which the authorizer's mark may be kept up-to-date in regard to restricted accounts, a standard practice rule should be adopted. Joseph B. Auerbach, credit manager of Bloomingdale Bros., New York, quotes the following as a typical example:

> Every day the bookkeepers are to list on specially provided sheets the name, address, folio number, amount owing up-to-date, and date of last payment on all accounts which are overbuying or referred for the first time as Over the Limit or Overdue. Also all accounts which have been referred and which are now O. K. shall be listed. These lists are then checked back against the indexes of the authorizers so that they may be corrected as noted.
>
> In some cases the customer must be sent for to come to the credit office. This is the case when a person has no account listed on a "charge-take" transaction. If it is a "charge-send" and no account is listed, it is the part of policy to send the goods C.O.D.

Indexes.—Until the invention of the visible index the old-fashioned card filing system where cards were inserted vertically in drawers was used. This method was slow and often inaccurate, due to misplacing of cards. Visible records give all necessary facts at a glance. It is claimed by manufacturers of visible indexes that there is a saving of 75 per cent in labor cost because of increased speed in handling work.

Colored fiberoid signal tubes are used for classification of accounts. A special color may be given to "slow pay," "profit and loss," "attorney," etc.

The index from which the authorizer passes a charge must contain:

1. Full name.
2. All addresses, residence and business, and shipping points.
3. Limit.

In addition, the refer authorizer's records should contain:

4. Restrictions.

5. Ratings.
6. Business connections.
7. Extra instructions (buying privileges).
8. Number given filed information for reference.
9. Signature.

In many systems the information is much more complete.

Securing New Charge Accounts.—There has been much discussion in the past as to whether or not a store should solicit charge accounts. Stores which hold to the belief that credit is essential as a business-builder are firm in adhering to the policy of using legitimate methods of obtaining new charge customers. Stores which hold that credit is a necessary evil, but should be kept down in so far as possible, extend credit only to those customers who ask for it.

Methods of soliciting charge accounts vary with the different stores. Bloomingdale Bros., one of the most aggressive credit stores, conduct a regular mail campaign, employing test letters and following up leads carefully.

Another method frequently used is to take the names of customers paying cash and having packages sent, and request their continued patronage in a well-framed letter, pointing out the advantages of a charge account at the particular store. One store pays each salesclerk a bonus of one dollar for each charge customer introduced at the credit office by her. Bonus is paid when new customer pays first bill.

The Fair, at Chicago, has used a method of slipping a card into each package leaving the store, whether carried by customer or sent to her. It reads in part:

Dear Customer—It happens almost every day that some of our customers ordering goods sent C.O.D. have not the proper change handy when the driver calls or are not at home when the order is delivered, thereby suffering delay, annoyance, and inconvenience. Of course, you understand our drivers are not permitted to leave merchandise in cases of this kind, so in order to overcome this difficulty we recommend a charge account.

By taking advantage of this accommodation you save time in shopping as well as avoiding delays and inconvenience in returning merchandise; also the necessity of carrying large sums of money.

It is claimed that this method proved highly successful in obtaining new and profitable accounts.

One point in regard to credit accounts which is frequently overlooked is the old charge account which, for some reason or other, has fallen off. Figure 44 shows the method used by Boyd-Richardson, of St. Louis, in reminding former customers that they have not purchased anything for some time. This method has been found profitable.

The credit manager should always work in close cooperation with the complaint department, yet he should also remember that the customer who complains is comparatively easy to handle in contrast to the offended customer who merely stops buying at the store and says nothing. The credit department should formulate some follow-up system for customers who have not purchased for some length of time, especially those whose former purchases were considerable.

In some establishments, the credit manager has also the direct supervision of the book adjustment department, there generally being two adjustment bureaus in the house, the one representing sales and service and the other supervising all transactions having to do with the bookkeeping details of the accounts. Where this is possible, the credit manager naturally can control the situation a great deal more closely than if he is dependent on some other persons.

As already mentioned, the credit manager is sometimes a member of the firm or granted a corresponding degree of authority, so that he is responsible to no one except the general manager or some other officer of the concern.

There are so many things for which a credit manager is responsible and in the case of establishments doing a large annual business he is so completely responsible for such a large portion of a firm's assets that, instead of its simply being referred to as the "Credit Department," the credit department is put on the same basis as any other sales branch of an establishment. For this reason there is a closer bond of sympathy between the officers of a store and its credit department. Often the sales force does not realize and, as a matter of fact, does not know anything about the serious problems with which the credit office has to contend. One of the chief

STATEMENT

Boyd's

BOYD-RICHARDSON

A COMMON-LAW TRUST

OLIVE AND SIXTH SAINT LOUIS

Richard Roe

1363 Noname Ave.

City

TERMS: 30 DAYS. DETACH THIS STUB AND MAIL WITH CHECK $_____

STATEMENT FROM BOYD-RICHARDSON. RETAIN FOR YOUR RECORD.

Date	Items	Charges	Credits	Balance

You have been too good a customer to stay away from Boyd's so long.

The Credit Department is very anxious to have you realize that as always we should be happy to serve you.

BOYD'S,

Boyd-Richardson

G. B. HAAR
Credit Manager

NOTICE—THE LAST FIGURE IN THE "BALANCE" COLUMN REPRESENTS THE TOTAL AMOUNT OF THIS BILL.

PURCHASES AND CREDITS OF LAST THREE DAYS OF THIS MONTH WILL APPEAR ON NEXT MONTH'S STATEMENT. WHEN REMITTANCE IS MADE BY CHECK, WE DO NOT MAIL RECEIPTED BILL UNLESS REQUESTED.

FIG. 44.—Reminder sent to customers who have made no recent purchases.

duties of the credit manager is to educate the various forces of his store to understand just what the credit office must do in opening and handling a charge account. Where this is done and where the credit manager allows himself to get into friendly but not too intimate contact with the heads of other departments, his labor is materially lessened and he frequently finds himself delivering a better grade of service to his customers than would have been possible without the friendly assistance on the part of his co-workers.

In the same manner must the credit manager have the ability and take the opportunity to educate his customers as to what is gained by a customer in creating and maintaining good credit. In other words, in addition to being a credit man and trying to safeguard his store's interests from a dollar-and-cents point of view, he must also be a teacher to train a store's customers to buy and pay properly and to train his employees and members of his staff so that they in turn may further the process of education.

CHAPTER XVIII

COLLECTIONS

Credit Losses.—One of the foremost authorities in the retail credit field estimates that the percentage usually charged to profit and loss by credit departments ranges from $\frac{1}{68}$ of 1 per cent to $\frac{1}{4}$ of 1 per cent. In a few exceptional cases it has run as high as $\frac{1}{2}$ of 1 per cent. The National Retail Dry Goods Association found that among the larger stores credit losses on total sales ranged from $\frac{2}{10}$ of 1 per cent to $\frac{2}{3}$ of 1 per cent. Some of the New York specialty stores average about 80 per cent of charge sales to total sales, while the average amount of such stores as Franklin Simon and Company, Lord and Taylor, B. Altman and Company, James McCreery and Company, etc., range from 50 to 60 per cent.

Figures showing the proportion of outstanding charge accounts throughout the year vary on account of the conditions and buying habits of the community in which the store is located. Most stores anticipate a turnover of their charge accounts every sixty days. The total outstanding accounts of January 1 are expected to be paid up by March 1. This indicates a fairly good collection for the average department store. During certain periods of the year collections vary and consequently outstanding accounts assume greater percentages.

The following figures are those of a New York store catering to a popular class clientele, and they show the percentage of outstanding accounts after the tenth of each month:

January	61⅓	July	58⅛
February	58⅓	August	42⅛
March	61⅕	September	55⅐
April	64⅓	October	62⅐
May	61⅛	November	59⅙
June	57⅐	December	59⅛

The financial analysis of percentage of loss naturally depends on the type of store and clientele. Very exclusive and high-priced stores can hardly expect to be over-strict on their charge account business, although one high-grade haberdashery store on Fifth Avenue allows no accounts to run over 60 days.

A mid-western store doing a business of $5,000,000 annually sets up ⅜ of 1 per cent of total charge business as a reserve for doubtful accounts.

The following departmental figures, based on percentage of total sales, are quoted by Dwight E. Beebe in his book entitled "Retail Credits and Collections." These figures, he states, are the result of an investigation based on close analysis of credit figures from the books of thousands of stores and are believed to be fairly representative.

Furniture	1.94	Dry goods	.21
Groceries	.47	Department store	.19
Clothing	.34	Drugs	.19
Vehicles and instruments	.33	Shoes	.19
Hardware	.31	Variety goods	no loss
Jewelry	.21		

It is to be noted that dry goods and department stores are well down on the list.

Limits.—The credit office should see that limits are closely watched since as soon as they are exceeded all charges should be referred to the head credit authorizer. As the report of the Retail Credit Men's National Association says,

> absolute control over limits can be accomplished only by checking each sale with the account and by keeping the billings and postings up-to-date. This may be regulated by subdividing the authorizing system according to ledger subdivision. A more liberal system of control over limits may be provided by first checking all sales of considerable amount with the account before authorizing, and by providing over-limit slips by which the billing clerks should report all accounts over the limit to the divisional credit manager.

C. H. Critchett of Jordan Marsh Company, Boston, Mass., investigates each case of over-limits individually, paying careful attention to business, references, manner of paying, and amount of previous purchases. In his experience he has found

that many accounts exceed the limit and the bills are paid promptly although information on file does not warrant the volume of purchases made.

In case the customer wishes to make a purchase involving a considerable amount of money, such as in house furnishings, a special arrangement is made in many instances whereby an extension is granted. Figure 45 shows form in use to notify of exceeded limits and indicates whether increase in limit is to be temporary, or to be permanent, or whether the account is to be closed.

NOTICE OF EXCEEDED LIMIT

Date.....192....

Name.....

Address.....

PURCHASES	
Month	Amts.
.....	.....
.....	.....
.....	.....
.....	.....
Present Limit.....	

Temporary Increase to.....

Change Limit to.....

Stop Account.....

Signed.....

Credit Office

FIG. 45.—Notice of exceeded limit.

Overdue Accounts.—The best collection results are said to be obtained by a combination of telephoning, letters, personal calls by collectors, telegrams, local association collection letters, reputable collection agencies, and attorneys.

A knowledge of the history of an account is essential when methods of collecting must be resorted to. The indiscriminate use of form letters is not to be advised, although form letters are valuable in many cases. It is always advisable to treat customers who have paid promptly over a long period of time with leniency as facts would seem to indicate some legitimate reason for not settling the account.

The telephone is coming into favor as a method of ascertaining the exact status of an overdue account, both for the rapidity of action obtained and the effect on the customer.

Some stores have advocated, in addition to regular collection methods, the serving of notice upon all charge customers that on and after a certain date interest at the rate of 6 per cent will be calculated upon all accounts which have been running more than thirty days. While it is perfectly reasonable to make the customer pay for the use of the money, it is obvious that for such a system to prove successful it would be necessary to have it adopted generally.

The Retail Credit Men's National Association recommends that there should be no hesitation in putting the collection system into operation the moment an account becomes overdue. It suggests the following system, the arrangement to be lexicographical, collection cards being made for all accounts on the ledgers.

A flexible paper collection card is made when the account is opened. The amount is entered by the bookkeeper, accounts analyser, assistant or credit clerk, if a bill is rendered at the end of the month. Each month is indicated by the figure it represents in the calendar year, as "1" for January. When an amount is not owing, there is no entry made for that month. The card contains the name, address, two lines for remarks, date of bill or statement rendered, amount and space for payments on the left margin thereof.

Reports of collectors, promise-to-pay letters from customers, etc., are checked on front, in space for each month received, and entered on back of card. The cash payments should be posted by the bookkeepers or analysers. Small slips can be placed as markers on unpaid accounts which are overdue, according to the terms of sale.

This assists the divisional credit men in their collection work. The bookkeeping department should enter the new amounts each month and keep the records in good condition. They also file the collection cards for new accounts. The analyzing of accounts in this system would be done by divisional credit managers. The card contains the date account was opened, credit rating, and amount of account desired, as requested at time opened, or subsequently, and the limit; by whom applicant was interviewed; who approved the account;

by whom application was signed, and references given. The telephone number may also be entered.

Closing the Account.—According to Edward Thompson, of Saks and Company, the reasons for closing an account may be grouped under four main headings:

1. Slow pay.
2. Unfavorable information.
3. Goods returned or other conditions affecting the profit of the account.
4. Closure because of disputes or unsatisfactory dealings.

It is generally agreed that slow pay is the reason for the majority of accounts closed. The object is always to retain the good will of the customer while taking whatever means are necessary for the collection of the account due.

Unfavorable information may be either of a financial nature such as bankruptcy, or separation and divorce proceedings, etc. In case of bankruptcy of the husband, it is frequently customary to mail the wife an agreement which she may sign in her own name authorizing the account to be continued.

Mr. Thompson suggests the following letter to be used in closing an account because of the large number of returns:

In examining your account we notice that a large portion of goods charged are returned for credit.

You can readily understand that the expense of deliveries, and then calling for goods, the routine bookkeeping in charging and crediting, and the depreciation in handling merchandise, and the fact that it is out of our stock for several days, all combine to make it unprofitable to continue the account; we have therefore closed this account on our books and hope to continue to serve you on a cash basis. We will also be pleased to reopen the account if you will assure us that in future transactions at least 65 per cent of the goods will be retained and not returned to us for credit.

Disputes and unsatisfactory dealings are constantly arising, despite the effort to the contrary. When all efforts for a diplomatic settlement have been exhausted nothing remains but to close the account.

METHODS OF COLLECTION

Telephone.—The advantages of the telephone as a method of collection are appreciated by a large number of stores. It

has been found that it reduces the work of the collector by a considerable percentage because the status of the account is nearly always determined by results of the telephone conversations. The person in the credit office who does the telephoning has the ledger and other customer records in front of him and can give any information desired by the customer. Where the collector or the dunning letter merely serves to antagonize the customer the telephone frequently will straighten matters out.

Henry Raines, of the Townsend, Wyatt and Wall Dry Goods Company, St. Joseph, Missouri, states that his store has done away with collectors entirely, using the telephone as substitute. By not having the telephone listed if the customer is not at home when the call is put in, it is possible in almost every case to leave word to have her call back.

When bills are gone through the last of the month, those that are to be telephoned are laid aside. When the customer is called for the first time the conversation is opened something like this:

In looking over your account, we find you owe a balance of $....., which is (so many months) past due; and we were just wondering if it had escaped your attention, etc.

If the customer promises to pay a note is made of it. In fact, note should be made of any definite statement which the customer may make to prevent later misunderstanding. If it is down in black and white the customer cannot well refute it.

If customers do not pay according to their promise over the telephone they are called a second time.

The third time it is necessary to call, the customer is informed that the store is a member of the Credit Bureau and will be compelled to give unfavorable information regarding the customer as a credit risk.

Collecting in rural districts by telephone has proved especially efficacious, due to the customer's dislike of the publicity which rural lines frequently give to the subject matter of conversations carried on over them.

Letters.—Debtors are usually classified under four headings:

1. Prompt pay.
2. Slow pay.
3. Bad pay.
4. Will not pay or judgment proof.

The first two categories form the mainstay of the store's business. The latter two must be eliminated as rapidly as possible.

When an account becomes overdue, whether in thirty, sixty or ninety days, according to the store's policy, it is transferred to the collection department. The usual process is a system of letters. The fault with the average collection letter is its lack of personality and the danger of using too mechanical a system. For example, in some stores bills are received by customers the first of the month; on the fifteenth of the following month a statement is sent again; ditto on the twenty-fifth accompanied by No. 1 letter; on the tenth of the following month No. 2 letter; the twenty-fifth of the same month No. 3 letter, and a notice during the third month that if the account is not settled in 10 days it will be transferred to the store's attorneys. Without great care such a system will become void of all personality and consequently will fail in its purpose—that of collecting the money and retaining the customer's good will.

T. V. Gould, credit manager of Oppenheim, Collins and Company, believes, however, that the follow-up system is undoubtedly the secret of successful collecting. In his opinion, this is best accomplished by using what is known as the "Diary Dating System," consisting of two or three sets of files or folders numbered consecutively from 1 to 31 and representing the current month and the two succeeding ones.

Whenever a letter is written requiring an answer the duplicate is filed under the date set for a reply. In addition, all promises of payment by a certain date are filed under that date. Great care must be used to see that the bookkeeper notifies promptly of all payments on overdue accounts in order that letters may not be sent on accounts which have already been paid.

Form letters will differ, and should differ, according to circumstances, store policy, and the individuality of the credit

man. Wm. H. J. Taylor, credit manager of Franklin Simon and Company, recommends the following two letters as having been very successful:

The first letter is used when an account is not long overdue. It reads as follows:

Dear Madam:

We desire to call your attention to the enclosed statement of your account which is long past due, as *bills are payable monthly,* that is, within thirty days from date of bill. This is in accordance with terms agreed upon by you at the time your account was opened.

We cannot afford to carry accounts on our books unless bills are settled within the thirty-day period, and we must, therefore, ask you to send us a check by return mail in settlement of your account.

The charging of merchandise in the future will depend upon the prompt payment of bills.

The second letter is used when no replies have been received to the first letter or to other letters couched in similar language. The tone is much more strict.

Dear Madam:

We have written to you repeatedly stating that your account is long past due, and are surprised that you do not give the matter attention.

We, being members of the Associated Retail Credit Men of New York City (representing the leading retail merchants in various lines), are required to report to the association the names of those whose accounts are long past due, but before doing so we are desirous of conducting negotiations with you in confidence and with the utmost fairness, and are sure you appreciate the value of a good credit standing, not only with us, but with all merchants where you have an account.

Under the rules of the Associated Retail Credit Men of New York City, we will be required to report your name as being in arrears in settling your account with us unless you send us a remittance within the next few days, and, furthermore, we will hand your bill to our attorney for collection.

Trusting you will not force us to take these unpleasant steps, we are———

As T. V. Gould said before the Associated Retail Credit Men of New York, there is an ever-present tendency in collec-

tion letter writing to indulge in language and expressions which are not characteristic of the writer:

Avoid stilted or conventional phrases and long involved sentences. The essentials of a good letter are clearness, terseness, diplomacy, persuasiveness, and forcefulness. Above all things, be dignified and courteous. Rudeness, bluntness. and sheer brutality will achieve little.

Using excuses for collecting money due the store is poor policy as it weakens the strength of the demand. Nor should the store intimate that it would not ask for the money were it not in urgent need of money. The debtor will simply infer that the store is willing to wait longer. Slang and too great familiarity are not in good taste.

Collectors.—The ability, manners, and dress of the outside collectors are all matters of much importance. Here again, the object is to retain the good will of the customer if this is in any way possible, and the method of approach of the collector will have much to do with this.

The Retail Credit Men's National Association says collectors should be assigned by districts or sections of the territory closely served by the store. By supplying collectors with automobiles the best service may be obtained. Care must be taken to see that automobiles are not used for other purposes and with this end in view they should be garaged with other automobile equipment at night. The use of the automobile increases the speed of collections while reducing the number of collectors required.

Collectors should report to the divisional credit manager in writing concerning each call. He should leave a memorandum of call whenever the debtor is not at home. The ordinary collector's report contains ledger folio, name and address of customer, amount of debt, amount collected, and general remarks. It is made out in duplicate, one copy remaining at the office.

Allowing the collectors a base salary with a commission on debts collected gives the necessary incentive for successful performance.

Legal Means.—Handing accounts to attorneys for collection or taking legal methods to collect is always a last resort. In practically every case it means the final breaking off of relations with the customer and in many cases the expense and trouble of obtaining returns through an attorney is not worth the money recovered. The store, furthermore, rarely wishes to bring suit against its customers, owing to the unfavorable reaction on the store. In many cases suit is brought through an assignee and the store's name does not enter the matter at all.

Many stores are opposed to obtaining judgments against customers. Arthur L. Zaduk, on the other hand, credit manager for Henri Bendel, believes that there are six reasons which render it advisable to obtain judgments. They are as follows:

1. The life of the claim is automatically extended for 20 years.

2. The filing of the judgment makes it a lien against any real property which the debtor may own or become possessed of in the county where the transcript of judgment is filed.

3. When a sheriff's execution has been issued on the judgment, what are known as third-party proceedings may be instituted, that is, judgment creditors can tie up bank accounts, life insurance policies, debts due the debtor or property held for the debtor by other persons.

4. Judgment creditors are given certain privileges in the matter of taking steps to set aside fraudulent transfers of property, which remedies are ordinarily denied to the ordinary creditor.

5. In case the debtor dies during the life of the judgment, the judgment becomes a preferred claim on his estate.

6. A judgment duly docketed is a permanent beacon light to warn all credit men from extending credit to one who has been adjudged a poor credit risk. Finally, if the debtor ever becomes solvent it is to his advantage to clean up back judgments against him.

One argument against the judgment rests on the fact that it may drive the debtor into filing a voluntary petition in bankruptcy.

Instalment Plans.—In certain lines of goods, notably furniture, bedding, electric appliances, floor coverings and upholstery, it is frequently the practice to sell on some deferred-payment plan. In the vicinity of New York City, for example, the so-called "club" plan is used. The merchandise is sold at exactly the same price as though it were on a cash basis. A certain percentage, either 2 or 3 per cent, is charged for joining the club, the purpose of this extra charge being to reimburse the store for extra bookkeeping. It is made clear to customers that the extra charge is not put on as interest.

Hahne and Company, of Newark, New Jersey, has used this plan successfully. In this case the first instalment must be no less than 20 per cent of the whole. The larger the first payment, the smaller the later monthly payments. Delivery is not made until the account has been investigated and the 20 per cent payment made. Some stores require special references; first, who is the responsible head of the family; second, where and how such individual is employed, and from the employer is ascertained the standing of the person with the firm.

In the ordinary case if the purchase is $100, the initial payment is $20 plus the club fee, and the rest in weekly instalments of $2. Some stores insist on the customer's paying the weekly instalment at the store, in order that more goods may be sold. Others accept payments by mail. The special case is always considered and arrangements made accordingly.

Figure 46 shows the form of contract used by Gimbel Brothers, New York, as a conditional bill of sale in merchandise sold under the instalment plan. This is typical of other contracts. Certain features are common:

1. The title and ownership remain with the store until full payment has been made.

2. Provision for insurance or payment in case of loss by fire is made.

3. The property shall not be re-sold or moved from the premises without the written consent of the store.

4. If the purchaser fails to pay an instalment or otherwise defaults in living up to the conditions of the bill of sale, then

CONTRACT

GIMBEL BROTHERS, NEW YORK, a domestic corporation, hereinafter called the SELLER, has this.....day of.....sold conditionally.....

.....hereinafter called the PURCHASER, residing at.....

City.....one.....style.....

No.....and.....of the value of

.....Dollars payable as follows.....

.....Dollars on the signing of this agreement,

receipt whereof is hereby acknowledged, and the balance in equal MONTHLY-WEEKLY in-

stallments of.....Dollars, payable on the.....

day of each and every MONTH-WEEK

at the seller's store, situated at Broadway, 32nd to 33rd Streets, in the Borough of Manhattan, City and State of New York, but should the purchaser make default in the payment of any of the installments, or in the performance of any other term, covenant or condition to be performed by said purchaser, then the whole sum, less any payments made, shall at once become due and payable at the seller's option, without any notice to the purchaser.

THE TITLE TO SAID INSTRUMENT IS TO REMAIN IN THE SELLER UNTIL THE WHOLE OF THE PURCHASE PRICE, OR ANY JUDGMENT FOR ALL OR ANY PART OF SAME IS FULLY PAID AND SATISFIED. Should the purchaser make default in the payment of any installments or sell or offer to sell or mortgage or otherwise encumber, or remove the said instrument from the purchaser's above said residence without the seller's written consent, duly endorsed on this agreement, or should the seller deem itself insecure at any time, then the purchaser shall return the said instrument, on demand, to the seller; and the seller, its agents or representatives, may enter the premises where the said instrument may be, and take and carry the same away; and the purchaser hereby waives any action for trespass or damage and disclaims any right of resistance hereto, and also waives any and all notice of sale, whether public or private, and other benefits of whatsoever nature provided for under the laws of his or any other state, as well as all right to homestead and other exemptions. Should the seller retake the said instrument, then all the moneys paid by the purchaser under this agreement shall be applied as rental for the said instrument, and as liquidated damages for the breach of this agreement by the purchaser and for any damage to or depreciation of value of the said instrument; provided, however, that the purchaser is to remain liable for any installments due and unpaid prior to the retaking of the said instrument.

The purchaser shall keep said instrument insured in the sum of..... Dollars in a reputable insurance company and assign the policy to the said party of the first part, the said party of the first part agreeing that in case of loss by fire to pay to said party of the second part the excess of money received from such insurance over and above the amount of said purchase money then remaining unpaid.

The purchaser hereby agrees to use the said instrument in a careful and proper manner, and to keep same in good condition, and to permit the seller's agents to enter the premises where said instrument may be to examine it from time to time, as the seller may elect.

The seller's failure to enforce the performance of any term to be performed on the purchaser's part shall not be deemed to waive any other or subsequent obligations on the purchaser's part to be performed.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals in triplicate, the day and year first above written.

GIMBEL BROTHERS, NEW YORK, (L. S.)

In the presence by.....

.....(L.S.)

.....

(Reverse side of Contract reads as follows)

REFERENCE

Married..... Wife's
Husband's first name..... Age (over 21?).....

Lived in house how long..... Occupation.....

Employed by..... Employer's address.....

Employer's address.....

How long employed.....

Use lines below, to whom purchaser can refer for further reference.

Reference's name.....

Address.....

Name.....

Address.....

.....19

Sale No.....
Name.....
Address.....
Terms.....
Date.....19....
.....Manager
.....Teacher

Entered on Sale Card by.....
Contract Examined by.....

This is to certify that the undersigned read and fully explained to the purchaser the terms and conditions of this sale before having it signed, and purchaser thoroughly understands that a payment of..... must be paid each and every subsequent .....until the machine is paid for in full.

FIG. 46.—Installment Plan Contract.

the goods immediately become the property of the store again without notice.

The problem frequently comes up of what should be done with merchandise re-possessed under the bill of sale. In some cases the salvage is high and in others low. The department which made the sale should not be held responsible for any losses which may occur due to difficulties in receiving payment for the merchandise. It has fulfilled its duty when the sale is closed.

It does not seem fair when the judgment of the credit department is wrong, or the purchaser is unable to meet his obligation due to unfortunate circumstances, to have the department stand the loss. Some stores meet this situation by having set aside for each department selling merchandise on the instalment plan a fund known as "reserve receivables." This fund is set up from month to month, the amount depending upon the volume of business done by the department.

When a loss is incurred in salvaging the merchandise which is repossessed, the same is charged against this fund and the department suffers no other loss. The buyer of the department is then given the right to purchase this merchandise back at whatever figure he thinks he can sell it at. Eventually the result is the same and the stockholders must stand the loss, but under this plan it does not affect the profits made by the various departments to so great an extent unless a department were so unfortunate as to have this thing occur frequently within a short space of time.

The Morris Plan.—The Morris plan has received much publicity as an improvement over old instalment methods. There is a Morris Plan Bank in almost every large city throughout the United States, but the Morris Plan retail trade acceptance business is managed by the Industrial Finance Corporation, the parent organization of all Morris Plan banks.

The Morris Plan Retail Trade Acceptance is a time draft growing out of a bona fide sale of a commodity. Time of payment cannot extend over twelve months; the article cannot be of doubtful utility or merit; and a substantial cash payment must be made. Figure 47 shows the form of agreement, the bill of sale and acceptance being on the same form, the customer signing only twice.

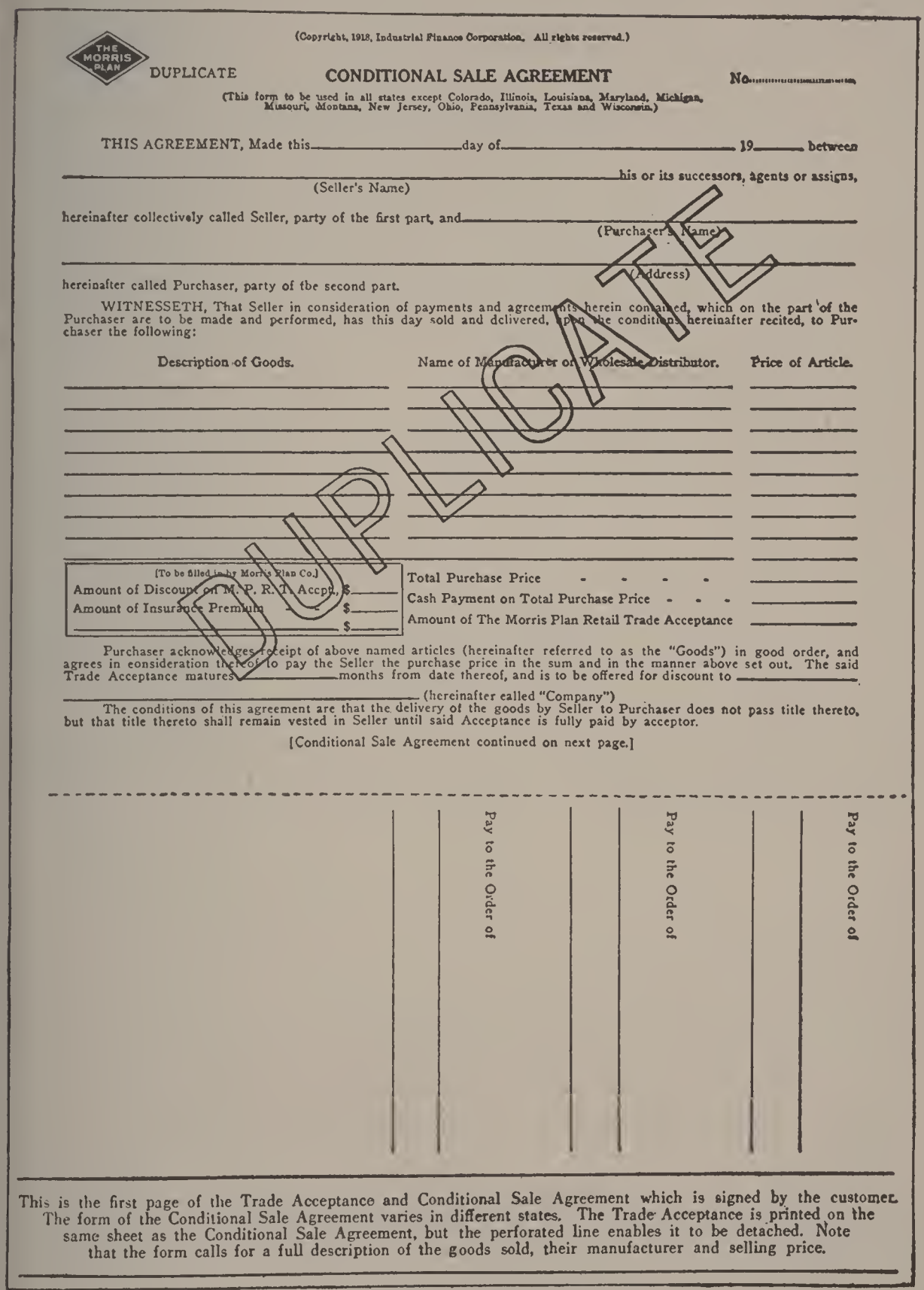
There are very few department stores using the Morris Plan at present, but it has been generally taken up among retail furniture concerns. One advantage of the plan to merchants, as explained by the Morris Plan Company, is that it enables them to conduct their business on a cash basis and at the same time to increase the volume of their sales by extending the benefit of time payments to their customers at prices lower than can be fixed by instalment houses with capital tied up in hundreds of outstanding accounts.

A simple example of a purchase on the Morris Plan is given by the company:

A purchaser wishes to buy apparel worth $125 at the cash price. The salesman says to him:

Pay $25 down. Pay $10 a month for ten months to the Morris Plan Bank, making the total of $125. To carry your account the

bank will charge you 6 per cent a year. Your account runs ten months, making this charge $6.



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THE MORRIS PLAN

DUPLICATE

CONDITIONAL SALE AGREEMENT No.....

(This form to be used in all states except Colorado, Illinois, Louisiana, Maryland, Michigan, Missouri, Montana, New Jersey, Ohio, Pennsylvania, Texas and Wisconsin.)

THIS AGREEMENT, Made this_____day of_____ 19____ between

_____ his or its successors, agents or assigns,
(Seller's Name)

hereinafter collectively called Seller, party of the first part, and_____
(Purchaser's Name)

_____
(Address)

hereinafter called Purchaser, party of the second part.

WITNESSETH, That Seller in consideration of payments and agreements herein contained, which on the part of the Purchaser are to be made and performed, has this day sold and delivered, upon the conditions hereinafter recited, to Purchaser the following:

Description of Goods.	Name of Manufacturer or Wholesale Distributor.	Price of Article.

[To be filled in by Morris Plan Co.]
Amount of Discount on M. P. R. T. Accpt. $____
Amount of Insurance Premium ____ $____
____ $____

Total Purchase Price - - - - ____
Cash Payment on Total Purchase Price - - - ____
Amount of The Morris Plan Retail Trade Acceptance ____

Purchaser acknowledges receipt of above named articles (hereinafter referred to as the "Goods") in good order, and agrees in consideration thereof to pay the Seller the purchase price in the sum and in the manner above set out. The said Trade Acceptance matures_____months from date thereof, and is to be offered for discount to _____
(hereinafter called "Company")

The conditions of this agreement are that the delivery of the goods by Seller to Purchaser does not pass title thereto, but that title thereto shall remain vested in Seller until said Acceptance is fully paid by acceptor.

[Conditional Sale Agreement continued on next page.]

DUPLICATE

Pay to the Order of

Pay to the Order of

Pay to the Order of

This is the first page of the Trade Acceptance and Conditional Sale Agreement which is signed by the customer. The form of the Conditional Sale Agreement varies in different states. The Trade Acceptance is printed on the same sheet as the Conditional Sale Agreement, but the perforated line enables it to be detached. Note that the form calls for a full description of the goods sold, their manufacturer and selling price.

FIG. 47.—Sales agreement form.

Pay a total of $30 to us now. Sign this retail trade acceptance which is a legal promise to pay the remaining $100. If you wish to do this we will deliver the goods today. You will receive the full

benefits of our cash price and will pay only $5 to obtain the benefit of ten months' credit.

The retail trade acceptance, which is endorsed by the merchant, is discounted by the bank at 6 per cent and thereafter the bank handles the entire transaction, relieving the merchant of all details of collecting and recording the time payments. For the privilege of being relieved of these details the merchant pays a service fee to the bank at a fixed rate, according to the amount of the purchase. In the example above the rate is 2 per cent. Thus, a merchant receives a total of $93 cash for the retail trade acceptance and a total of $123 cash for the sale of the apparel.

The Retail Trade Acceptance.—The retail trade acceptance is used somewhat in Canada and more extensively in France, but it has never been tried out in any of the big stores in this country. The retail credit men do not favor the use of the Retail Trade Acceptance as they claim among other disadvantages that it places the store too much in the hands of the bankers and it is not in accordance with good merchandising practice.

In using trade acceptance and the Morris Plan the store guarantees the payment of a note, and if the customer defaults, the store is held liable for payment to the bank.

CHAPTER XIX

STATISTICS

The larger the store the more necessary it is to have a system of control which permits the visualization of operations, without making it necessary for the executive to come into direct contact with each activity. The more pointedly the salient facts are brought out, the better able the executive will be to make decisions in accordance with them. It is the purpose of statistical systems to make available the strategic facts in summary form.

Possibly one cause of department store success has been the necessity under which executives find themselves of having to relinquish personal for statistical control. The latter method removes the motives of prejudice and partisanship which are almost inevitable in the closer personal contact which is found in the small store. Yet, no matter how small the store, it may be stated that statistical analysis is a condition precedent to efficient control.

The more progressive merchants, realizing this fact, have made much headway in the use of statistics, and many stores now have statistical departments. Precisely what the function is of a statistical department may be set forth only in general terms, for practice varies widely. But in this chapter a few examples are chosen, at random, showing how statistics may be used to increase efficiency. These examples are purely illustrative.

Scope of Statistics.—The value of statistical presentation for use by others than the controller has not been generally recognized. Statistics in the past have been gathered mainly for operating information in the form of monthly balance sheets, operating statements of sales, return purchases, expenses, and stocks of the business as a whole and by departments. Valuable as such statistics are, there is no question

but that the use of store statistics can be extended much further. Their value in the personnel field has already been recognized; their application to market research is rapidly coming into prominence.

Statistics for use by merchants are of two kinds—those gathered by outside agencies which can be applied to the store's general financial and merchandising policies, and those which are gathered directly by the store itself for application to its own internal problems.

The value of comparative statistics for a number of stores in the same line of activity is also becoming recognized.

Business Barometers.—Generally speaking, the trends indicated by outside statistics are beyond the control of the merchant, while figures which he gathers himself in many cases point out conditions which can be immediately rectified. Yet the former type of statistics, commonly known as business barometers, are almost equally important in planning for the future. As Dr. Secrist, of Northwestern University, says:

> The retailer's service and his profit, so far as the future is concerned, depend, among other things, upon the prices which he has to pay for the services, supplies, and materials which he uses and sells; upon the availability of credit; upon the markets which are open to him; upon his customers' whims, fancies, and psychological reactions, and upon other hazards to which he is subjected. Moreover, they depend upon his costs of operation.

Business barometers are developed from statistics relating to fundamental business conditions. Certain sets of figures have been found by experience to bear a definite relation to business activity. These barometers may be concerned with banking conditions, speculative activities, or with increases and decreases in production, together with more particularized data. The study of barometers becomes a study in prediction. They foretell to those who can read them what business conditions should be. The more accurate the data and the more closely allied the barometers, the more nearly will the prediction approximate the actual result.

Business barometers are furnished in digested and tabulated form by several agencies, and are published in many journals

daily, weekly and monthly. Merchants may accept the interpretation of others or judge for themselves. It is necessary to stress the necessity, however, of tracing the connection between the barometers used and the activities to which they are applied. Efforts hitherto have been mainly towards predicting business trends as a whole. The science of business forecasting is just entering the phase where it may be applied to a particular group activity.

Comparative Statistics.—One of the fundamental principles of retailing at one time was to keep everything relating to the conduct of the business a secret, not only from competitors but from customers as well. Price tags could be read only by those connected with the store. The owner alone knew what turnover and profits were.

The disappearance of this jealousy of competitors, and the recognition that exchange of information may be positively beneficial to all concerned has done much for retailing. Comparative statistics of several stores in the same line of activity are made possible only through cooperation. The function of a national association as a clearing house for such information is especially important. Table III shows one type of comparative statistics as prepared by the National Retail Dry Goods Association. Such statistics cannot fail to be instructive and beneficial. Other elaborate statistics are prepared by the Harvard Bureau of Business Research.

Store Statistics.—The bulk of the merchant's statistical information comes from within his own store. The basis for such statistics is a good record system and a method of digesting information for executive use and for departmental practice. Each store will work out a system differing in particulars. A standardized method of accounting, however, will serve as a guide for the preparation of major statistics. The connection of accounting with statistics is necessarily close and interrelated. As E. R. Clarkson, of the Kaufmann Department Store, Pittsburgh, says:

> While accounting will, on the one hand, compile, organize, and interpret the sales, purchases and finally profits, statistics in a larger sphere will organize and compile data and information which will effectively control and anticipate them.

TABLE III—COMPARISON OF

STORE NUMBER & LOCATION	MERCHANDISE: Gross Profits								MERCHANDISE: * Stock				
	☆ 67 MASS	☆ 68 IOWA	☆ 70 MASS	☆ 73 N.Y.	# 80 OHIO	# 81 IND.	# 82 VA.	# 83 IND.	☆ 67 MASS	☆ 68 IOWA	☆ 70 MASS	☆ 73 N.Y.	# 80 OHIO
ART EMBROIDERY	.385	.297	.405	.320			.412		2.40	2.12	2.32	1.93	
ART GOODS	.385	.297	.423	.320	.342		.412		2.40	2.12	2.56	1.93	1.90
BATHING SUITS				.334				.405				3.74	
BEDDING, BLANKETS	.320	.399		.333			.450	.279	2.40	1.84		1.63	
BOOKS							.312						
BOY'S CLOTHING						.336	.384						
BOY'S FURNISHINGS	.310			.360	.238	.336	.364		1.70			1.99	1.71
CANDY, SODAS, ETC.													
CARPETS, LINOLEUMS	.415	.328		.371		.410	.420	.397	1.40	2.69		1.66	
CHINA, GLASSWARE				.334		.237	.304					2.18	
CORSETS, BRASSIERES, ETC.	.400	.415	.446	.334	.379	.305	.382	.405	2.30	3.69	3.14	3.74	3.35
DOMESTICS			.359					.279			2.99		
DRESS GOODS	.394	.345	.410	.333	.304	.283	.362	.360	1.00	2.37	2.27	1.63	1.61
DRUGS		.362					.371			4.01			
FURNITURE	.393			.371					1.60			1.66	
FURS	.384		.295		.268				1.90		4.53		2.10
GLOVES MEN'S	.305	.343		.320	.299		.384	.387	1.20	2.92		1.93	2.10
" WOMEN'S & CHILORENS	.305	.343	.389	.320	.299		.404	.387	1.20	2.92	3.08	1.93	2.10
GROCERIES	.165					.146			7.70				
HANDKERCHIEFS	.305	.455	.389	.320			.404	.410	1.20	3.92	3.08	1.93	
HOSIERY MEN'S	.315	.367		.360	.311	.308	.384	.387	3.00	3.24		1.99	2.80
" WOMEN'S & CHILORENS	.315	.367	.374	.360	.311	.308	.383	.387	3.00	3.24	3.01	1.99	2.80
HOUSE FURNISHINGS	.232			.334		.237	.304		2.50			2.18	
INFANT'S WEAR	.390	.261	.374	.334	.217	.305	.382	.405	1.40	1.74	3.11	3.74	2.22
JEWELRY, SILVERWARE, ETC.	.391	.360		.320	.303		.377	.343	1.90	3.41		1.93	2.06
KNIT UNDERWEAR MEN'S	.355	.461		.360		.308	.384	.387	1.40	1.94		1.99	
" " WOMEN'S	.355	.461	.374	.360		.308	.383	.387	1.40	1.94	3.01	1.99	
" " CHILOREN'S	.355	.461		.360		.308	.383	.387	1.40	1.94		1.99	
LACES	.338		.405		.420	.283			0.99		2.32		1.25
LEATHER GOODS	.391	.275	.293	.320		.317	.377	.343	1.90	2.72	3.27	1.93	
LINENS	.320	.381	.359	.323	.279	.310	.304	.360	2.40	3.14	2.99	1.63	1.51
MEN'S CLOTHING						.336							
" FURNISHINGS	.310			.360	.283	.336	.384		1.70			1.99	2.85
MILLINERY	.426		.513		.261	.445	.185	.391	2.40		13.28		5.42
MUSLIN UNDERWEAR	.355	.304	.372	.334	.235		.382	.405	1.40	2.97	2.60	3.74	2.26
NECKWEAR	.391	.352	.407	.320	.282		.349	.410	1.90	3.06	2.82	1.93	1.89
NEGLIGEES, ETC.	.356			.334		.305	.382	.405	2.40			3.74	
NOTIONS	.338	.335	.429	.320	.331	.317	.416	.343	0.99	2.21	4.53	1.93	2.18
PATTERNS		.643	.466	.333	.359		.386	.360		2.74	2.67	1.63	1.55
READY TO WEAR													
COATS WOMEN'S	.278	.253	.295	.334	.260	.218	.296	.301	3.30	4.58	4.53	3.74	5.64
" MISSES	.278	.253	.295	.334	.260	.218	.362	.301	3.30	4.58	4.53	3.74	5.64
" CHILORENS	.390	.253	.295	.334	.217	.305	.382	.405	1.40	4.58	4.53	3.74	2.22
SUITS WOMEN'S	.278	.287	.295	.334		.218	.296	.301	3.30	8.32	4.53	3.74	
" MISSES	.278	.287	.295	.334		.218	.382	.301	3.30	8.32	4.53	3.74	
SKIRTS WOMEN'S		.353		.334		.218	.296	.301		5.51		3.74	
" MISSES		.353		.334		.218	.382	.301		5.51		3.74	
DRESSES WOMEN'S	.278	.232		.334		.218	.296	.301	3.30	5.71		3.74	
" MISSES	.278	.232		.334		.218	.382	.301	3.30	5.71		3.74	
" CHILOREN'S	.390	.232		.334	.217	.305	.382	.405	1.40	5.71		3.74	2.22
RIBBONS	.305		.386	.320	.375	.317	.349	.410	1.20		3.54	1.93	2.05
SHOES MEN'S						.246	.218						
" WOMEN'S						.246	.218						
" CHILOREN'S													
SILKS & VELVETS	.295	.355	.410	.333	.329	.283	.362	.360	1.70	3.03	2.27	1.63	2.67
STATIONERY	.335	.310		.320			.312	.343	3.20	1.37		1.93	
TOILET GOODS	.335			.320	.259		.371	.343	3.20			1.93	1.96
TRUNKS, BAGS, ETC.		.357		.334		.336	.450	.395		2.60		3.74	
TOYS	.332	.208		.371			.304	.395	2.50	2.81		1.68	
UMBRELLAS			.389								3.08		
UPHOLSTERY GOODS	.350			.371			.450	.362	1.20			1.68	
VEILINGS		.352		.320			.349	.410		3.06		1.93	
WAISTS	.356	.375	.396	.334	.262	.218	.296	.301	2.40	4.06	3.49	3.74	4.38
WASH GOODS	.309		.424			.310			1.90		7.58		

STOCK TURNOVER -
STORE NO. 67 FIGURES TURNOVER BY DIVIDING AVERAGE STOCK AT RETAIL INTO YEARLY SALES.
STORE NO. 68 FIGURES TURNOVER BY DIVIDING AVERAGE STOCK AT COST INTO SALES. CAPITAL TURNOVER
STORES NO. 70, 73, 80, 81 & 82 FIGURE TURNOVER BY DIVIDING AVERAGE STOCK AT COST INTO YEARLY SALES AT COST.
STORE NO. 83 FIGURES TURNOVER BY DIVIDING INVENTORY AT COST INTO YEARLY SALES. CAPITAL TURNOVER

©

Statistics in Percentages.

DATA												
Turnover			Mark Downs					Inventory Shrinkage				
# 81	# 82	# 83	☆ 67	☆ 68	☆ 70	# 80	# 81	☆ 67	☆ 70	# 80	# 81	STORE NUMBER & LOCATION
IND.	VA.	IND.	MASS	IOWA	MASS	OHIO	IND.	MASS	MASS	OHIO	IND.	
	3.25		.041	.042	.024			.005	.015			ART EMBROIDERY
	3.25		.041	.042	.032	.046		.005	+.012	.012		ART GOODS
		5.30										BATHING SUITS
	3.50	3.70	.028	.070				.003				BEDDING, BLANKETS
	6.00											BOOKS
2.50	2.75						.025				.042	BOY'S CLOTHING
2.50	2.75		.041			.076	.025	.003		.042	.042	BOY'S FURNISHINGS
												CANDY, SODAS, ETC.
2.20	3.50	4.20	.048	.010			.028	+.025			.011	CARPETS, LINOLEUMS
4.80	5.25						.062				.093	CHINA, GLASSWARE
4.50	4.50	3.90	.019	.020	.005	.016	.049	.008	.002	+.020	.042	CORSETS, BRASSIERES, ETC.
		3.70			.021				+.051			DOMESTICS
3.10	2.50	3.70	.048	.025	.005	.101	.024	+.021	+.057	.019	.059	DRESS GOODS
	5.00			.025								DRUGS
			.053					.017				FURNITURE
			.049		.135	.089		.005	.003	4.006		FURS
	2.75	3.70	.043	.062		.004		.035		.014		GLOVES MEN'S
	3.00	3.70	.043	.062	.022	.004		.035	.004	.014		GLOVES WOMEN'S & CHILDREN'S
8.00							.043					GROCERIES
	3.00	5.30	.043	.044	.022			.035	.004			HANDKERCHIEFS
3.50	2.75	7.40	.019	.014		.019	.023	.018		.002	.038	HOSIERY MEN'S
3.50	4.00	7.40	.019	.014	.008	.019	.023	.018	+.004	.002	.038	HOSIERY WOMEN'S & CHILDREN'S
4.80	5.25		.036				.062	.019			.093	HOUSE FURNISHINGS
4.50	4.50	4.40	.070	.016	.067	.161	.049	.008	.019	.063	.042	INFANT'S WEAR
	6.00	4.20	.045	.052		.056		+.011		.038		JEWELRY, SILVERWARE, ETC.
3.50	2.75	1.80	.027	.019			.023	.011			.038	KNIT UNDERWEAR MEN'S
3.50	4.00	1.80	.027	.019	.008		.023	.011	+.004		.038	" " WOMEN'S
3.50	4.00	1.80	.027	.019			.023	.011			.038	" " CHILDREN'S
3.10			.115		.024	.113	.024	.042	.015	+.047	.059	LACES
3.00	6.00	4.20	.045	.125	.053		.040	+.011	+.054		.024	LEATHER GOODS
3.70	3.50	4.10	.028	.012	.021	.038	.027	.003	+.051	.031	.012	LINENS
2.50							.025				.042	MEN'S CLOTHING
2.50	2.75		.041			.039	.025	.003		+.004	.042	MEN'S FURNISHINGS
13.50	26.00	12.50	.232		.060	.172	.066	+.020	+.026	.031	.002	MILLINERY
	4.50	3.90	.027	.023	.007	.110		.011	.017	.044		MUSLIN UNDERWEAR
	3.25	5.30	.045	.034	.065	.081		+.011	+.073	.014		NECKWEAR
4.50	4.50	5.30	.043				.049	.050			.042	NEGLIGEES, ETC.
3.00	3.75	7.20	.115	.021	.013	.042	.040	.042	.025	.009	.024	NOTIONS
	6.75	4.00		.003		.002			.034	+.006		PATTERNS
												READY TO WEAR
3.00	7.50	9.10	.075	.008	.135	.175	.105	.001	.003	.018	.114	COATS WOMEN'S
3.00	4.50	9.10	.075	.008	.135	.175	.105	.001	.003	.018	.114	" MISSES
4.50	4.50	4.40	.070	.008	.135	.161	.049	.008	.003	.063	.042	" CHILDREN'S
3.00	7.50	9.10	.075	.003	.135		.105	.001	.003		.114	SUITS WOMEN'S
3.00	4.50	9.10	.075	.003	.135		.105	.001	.003		.114	" MISSES
3.00	7.50	6.50		.006			.105				.114	SKIRTS WOMEN'S
3.00	4.50	6.50		.006			.105				.114	" MISSES
3.00	7.50	13.40	.075	.002			.105	.001			.114	DRESSES WOMEN'S
3.00	4.50	13.40	.075	.002			.105	.001			.114	" MISSES
4.50	4.50	4.40	.070	.002		.161	.049	.008		.063	.042	" CHILDREN'S
3.00	3.25	4.20	.043		.012	.041	.040	.035	.054	+.079	.024	RIBBONS
												SHOES MEN'S
2.00	2.00						.050				.064	" WOMEN'S
2.00	2.00						.050				.064	" CHILDREN'S
3.10	2.50	3.50	.053	.025	.005	.039	.024	.047	+.057	.010	.059	SILKS & VELVETS
	6 00	4.20	.026	.062				.006				STATIONERY
	5.00	7.20	.026			.027		.006		.037		TOILET GOODS
2.50	3.50	6.50		.025			.025				.042	TRUNKS, BAGS, ETC.
	5.25	6.50	.036	.013				.019				TOYS
					.022				.004			UMBRELLAS
	3.50	3.40	.019					.006				UPHOLSTERY GOODS
	3.25	5.30		.034								VEILINGS
3.00	7.50	6.50	.043	.004	.074	.098	.105	.050	+.018	.016	.114	WAISTS
3.70			.086		.026		.027	+.0006	+.001		.012	WASH GOODS

Store statistics may be divided into several classifications:

1. Merchandise statistics, usually compiled for the controller's office.
2. Personnel statistics.
3. Non-selling departments.
4. Errors and system.

In addition, there are many uses for statistics mentioned in special places under planning and under research.

Statistical Requirements.—In compiling statistics there are certain fundamental requirements. For example:

1. Accuracy. It is not only unwise but dangerous to base actions upon figures which are not absolutely correct. In some cases, of course, approximate accuracy is as good as absolute accuracy. In each instance the circumstances must decide.

2. Basis of comparison. Facts should be compared over a period of years. Thought should always be given as to whether the periods over which comparison is made are normal or otherwise. In addition, great care must be used in comparing one set of statistics with another to make sure that there is a sound basis of comparison, in other words, that one set of figures has some definite relation with the others.

3. Arrangement. Statistics must be arranged according to some definite plan, either of time, size, or other unit of measurement.

4. Comprehensibility. The statistical compilation must be understandable. The number of columns must not be so many as to confuse the eye nor so long as to make comprehension of relative values difficult.

5. Utility. No statistics should be gathered merely for the sake of collecting them. Each should have a definite use or application. Otherwise the labor involved is wasted.

There are various methods of making statistical comparisons, some of the most common being by means of:

Percentages.
Index numbers.
Arithmetical averages.
Weighted averages.
Frequency.

Graphs.—Charts and diagrams give strong, vivid impressions. The aim must always be for simplicity if the desired effect is to be obtained. Thus, in a line chart, the most common type, the number of lines should not be too many, and what lines there are should be strongly differentiated as by colors or dot-and-dash construction. Too much overlapping of lines renders the chart unintelligible.

Similarly, while one pie chart may be effective for comparison of its component parts, a series of pie charts gives no opportunity for accurate comparison and is therefore comparatively useless.

There is a natural tendency to overestimate the value of the graph because of its pictorial possibilities. It can never entirely take the place of the statistical table. Its function is to drive home the point of which the statistics furnish the proof.

The impression which a chart makes is largely dependent upon the manner in which the statistics are graphically presented. There is no standard. There are certain rules which the maker of graphs learns, but the method of applying these rules are legion. Thus the spacing can be different, the size different, the scale of comparison different.

Men who are trained in accounting departments are often inclined to discredit the use of charts because, to them, the statistical table is plain and the conclusions to be drawn are evident. But when these same statistics are presented to an executive without accounting experience, even though they are digested and condensed, they often fail to convey their message. A chart will, many times, accomplish this result, and will aid in the comprehension of the figures.

In preparing charts and statistical tables it is always necessary to keep the audience in mind. The less familiar the audience is with the subject matter, the simpler the chart must be.

Analysis and Application.—Interpretation of statistics and graphs is a matter of training and judgment. The application will vary with the end in view. Certain sets of statistics will be valuable for the control of expense, others for the making of plans and formulation of policies, others for cor-

rection of inefficiency and errors in service departments, etc. A better idea can be obtained by taking up some of the special sets of statistics.

Management Statistics.—Monthly balance sheets and operating statements are compilations of statistics. They show whether the store as a whole is making money and what departments are profitable. A standard of performance is also set up for each month in the year. Furthermore, they show allocation of expenses in each department for advertising, salaries, etc.

The controller usually will require the following sets of statistics:

1. Monthly balance sheets.
2. Store operating statement.
   a. Sales.
   b. Expenses.
   c. Stocks.
   d. Etc.
3. Department operating statements.
   a. Sales.
   b. Returns.
   c. Purchases.
   d. Expenses.
      1. Administrative.
      2. Occupancy.
      3. Publicity.
      4. Buying.
      5. Selling.
      6. Etc.
   e. Stocks.
   f. Net profits.
   g. Miscellaneous.

If statistics are compiled in terms of dollars it is necessary to supplement them with tables showing number of sales, divided into charge, cash, and C.O.D. sales, number of returns, and average sale for each division and selling department in quantities. This practice is especially important in times of inflation when sales apparently increase rapidly while volume of business may actually be on the decline.

With such data in hand, the management can tell instantly

which departments are weak and can set about remedial efforts.

Merchandise Statistics.—Merchandise statistics are extremely important. They are treated at length in the section of merchandising. Some of the more important divisions are:

Stock turnover.

Stocks on hand.

Mark downs.

Inventory shrinkages.

Merchandise control, etc.

Control of Selling and Non-selling Departments.—E. R. Clarkson recommends a careful system of statistics for the control of employees in selling and non-selling departments. The efficiency of the personnel does not vary with the price, however, but with the time required to sell the article, or the time required to do the particular job on hand.

In the selling departments, for example, the unit of production is the number of sales. For each department statistics should show:

1. Number of sales.
2. Number of salespeople.
3. Number of non-selling employees.
4. Number of employees for each 100 or 1,000 sales, according to the department.
5. Average salary of the department.

For the non-selling departments, the unit of measure must be the time required to perform a particular task, and the number of employees required in a particular department. Following are Mr. Clarkson's suggestions for statistical control of personnel in non-selling departments:

1. Number of inspectors for each 10,000 sales.
2. Average salary of inspectors.
3. Number of cashiers for each 10,000 sales.
4. Average salary of cashiers.
5. Number of employees in the controller's office, and number for each 10,000 sales.
6. Average salary in controller's office.
7. Number of employees in audit department, and number for each 10,000 sales.

8. Average salary in audit department.

9. Number of employees in bookkeeping department for each 10,000 postings, and average salary.

10. Number of employees in accounts payable division for each 1,000 bills, and average salary.

11. Number of employees in credit office for each 10,000 charges, and average salary.

12. Number of employees in adjustment department, number of complaints handled, and number of employees for each hundred complaints. Also average salary.

13. Number of employees in receiving and marking department, and number for each 10,000 tickets.

The above statistics show results from the production point of view which is the correct aspect from which to study non-selling departments.

Credit Statistics.—For proper control of charge accounts credit statistics must be studied carefully by means of statistics. For effectiveness in collections and reserves necessary for doubtful accounts, the following are important:

1. Number of accounts opened.
2. Number of accounts given to attorneys for collection.
3. Percentage of collections.
4. Number of accounts closed.
5. Number of inactive accounts during the month.
6. Analysis of number and amount of accounts due less than thirty days, thirty to sixty days, sixty to ninety days, and over ninety days.

If instalment accounts are opened special sets of statistics will be required, notably the number of accounts opened, the total down payments, the total sales, the number of months required to pay, and the number and amounts of repossessions.

Delivery Statistics.—Owing to the necessity of keeping delivery expense at the minimum, expenditures and performance in this department are particularly susceptible to statistical treatment. With certain information such as odometer readings, tire mileage, quantity of gas and oil consumed and packages delivered, the following sets of statistics may be prepared:

1. Average miles per day per car.

2. Average units delivered per car.

3. Miles per gallon of gasoline.

4. Cost accounts giving cost of repairs, cost per mile, average cost per package, average cost per car per day.

5. Cost of delivery in each locality.

6. Cost of delivery of special articles, such as furniture, house furnishings, pianos, etc.

Errors and Systems.—Practical working systems are founded on statistical averages. One method of checking up systems is by the number of errors committed. Errors in one department frequently mean a great deal of added work in other departments. For example, errors in the delivery department increase work in the auditing department, etc. Control of errors by statistical means brings about their reduction to a minimum.

For example, the adjustment department is a clearing house for errors on the part of the store. By use of the sub-slip these errors can be tabulated in statistical form. For example, there will be shown:

1. Number of adjustments made where transaction was traced as far as the clerk and no farther.

2. Number of parcels lost by driver in transit and amount of money involved.

3. Number of adjustments where packers left merchandise out of parcels.

4. Number and amount of cashiers' shortages when customers claim not sufficient change received.

5. Number and amount of parcels damaged in inside delivery.

6. Number and amount of adjustment for overcharges to customers, under credits, shortages of merchandise, wrong goods received, undercharges, crossed labels, merchandise returned to department not credited, etc. The possibilities for statistical tabulation are very large.

Errors in the auditing department are frequently the source of much annoyance. Many stores give a bonus for keeping errors down. The best method of arriving at this bonus is by statistics:

1. Sales number omitted.

2. Omission of unit price.
3. Incorrect extensions or additions.
4. Altered checks.
5. Omissions of department number or sales clerk number.
6. Incorrect initials or spelling.
7. Poor writing or carelessness.

By keeping track of these errors in the auditing department, the educational division of the store can secure information of great value in training employees.

A summary of complaints showing number received, number adjusted, and those on hand unadjusted, is also valuable.

The entire subject matter of this chapter is mainly suggestive. The compilation and application of statistics cannot be standardized beyond a certain extent, and will remain always an individual store problem.

CHAPTER XX

ACCOUNTS

Uniformity of standards and uniformity of practice are the goals towards which retail accounting is aiming. Any discussion of the problems of retailing must be based on this assumption. The Controllers' Congress of the National Retail Dry Goods Association has been successful in formulating and securing the adoption in a large number of stores of a standard system of accounts for dry goods and department stores. The Harvard Bureau of Business Research also has done good work along the lines of standardization.

The advantages of standardization are closely tied up with the solving of store problems through mutual cooperation and the consequent benefit therefrom. For example:

1. It has long been difficult, if not impossible, to draw any accurate conclusions regarding retailing, owing to the diversity of standards. There was no clear definition of the ordinary terms used to describe retail operation, consequently stores did not speak in the same language. Any exchange of information regarding methods or practice was necessarily hampered. This difficulty became important when stores began to realize the profit to be gained from mutual exchange of information, and was one of the principal reasons leading to the formation of a standard system of accounting.

2. Under the old systems it was extremely difficult to analyze the reasons which made some stores profitable and others unprofitable. A comparative statement for various stores under a standard system shows clearly where the root of the trouble lies.

3. Without a standard system of accounts it is necessary for the accountant to learn an individual system which may be of little use to him in the study of other systems.

4. A standard system of accounts makes it much easier to meet government taxation requirements, especially as the

BALANCE SHEET

(Name of Company)
(Date)

ASSETS

Current				
Cash				
On Hand		$		
On Deposit			$	
Notes Receivable				
Customers	$			
Accrued Interest		$		
Less: Reserved for Possible Losses			$	
Accounts Receivable				
Customers (Charge, C.O.D., Will-calls and Mortgage)		$		
Less: Reserve for Possible Losses			$	
Merchandise				
Inventory of Merchandise on Hand		$		
Merchandise Paid for in Advance			$	
U. S. Securities				
Bonds	$			
Certificates of Indebtedness				
Accrued Interest				
War Savings Stamps		$		
Less: Reserve for Possible Losses			$	$
Other Assets				
Securities Owned and Accrued Interest			$	
Stocks Owned				
Notes Receivable and Accrued Interest				
Insurance Deposits				
Cash Surrender Value of Life Insurance Policies				
Common Carriers Claims				
Land and Buildings—not used in Operations				
Personal Accounts			$	$
Deferred Charges				
Unexpired Insurance Premiums			$	
Prepaid Interest				
Supply Inventory				
Prepaid Expenses				
Organization Expenses				$
Permanent				
Land			$ Cost	
Leasehold	$ Cost	$ Amortization	Sound Value	
Buildings	do	Depreciation	do	
Machinery, Fixtures and Equipment	do	do	do	
Delivery Equipment	do	do	do	$
Goodwill, Patents and Trademarks				$
Note: The amount of the merchandise in transit should be shown in a footnote on the Balance Sheet at the close of each accounting period.				$

FIG. 48.

BALANCE SHEET--*Cont.*

(Name of Company)
(Date)

LIABILITIES

Current			
Notes Payable			
For Money Borrowed from Banks	$		
For Money Borrowed through Brokers			
For Money Borrowed from Officers			
For Money Borrowed from Others			
For Purchases			
Trade Acceptances		$	
Accounts Payable			
For Merchandise and Expense Purchases	$		
For Federal Sales Taxes			
For Unredeemed Cash Refunds			
For Unredeemed Gift Certificates			
Leased Section Accounts			
Personal Accounts		$	
Accrued Accounts			
Taxes, Real and Personal—City, County and State	$		
Payroll			
Interest on Notes Payable			
Rent			
Expenses		$	$
Funded Indebtedness			
Mortgages		$	
Bonds			$
Reserves			
For Federal Income Taxes		$	
For Contingencies			$
			$
Total Liabilities			
Proprietary Interests			
Capital Stock			
Preferred—Authorized	$		
Less: Unissued		$	
Common—Authorized	$		
Less: Unissued		$	$
Profit and Loss—Surplus			
Surplus	$		
Undivided Profits		$	$

Note: In the case of a Partnership or Individual, Ownership, the "Investment Account" takes the place of "Capital Stock"; and "Profit and Loss, Current Account" in place of "Profit and Loss, Surplus."

$

FIG. 48.—Standard Form of Balance Sheet.

modern tendency is for the government to demand increasingly detailed reports covering the operation of the business.

5. In the past, the system of accounts grew up with the store. As new problems arose the system was not adapted to meet them. Under the new plan, the standard system provides for its use by any store no matter how large or small. The expanding store will find the standard system perfectly practicable during all stages of its growth.

The Balance Sheet.—The purpose of the balance sheet is to show the true financial condition of a company at any given time. It is used mainly for three purposes:

1. Filing with income tax for government information.
2. Evidence for granting of credit by banks, et al.
3. Value to store for index of its own condition, as a cross-section of the business.

Figure 48 shows the standard form of balance sheet. Assets are grouped on the left-hand side and liabilities and proprietorship interests on the right. The practice of grouping similar items together allows an easier analysis of the entire balance sheet.

A small store may not require all items reproduced in this illustration. In such a case it should be a simple matter to eliminate them. Larger stores, on the other hand, may find it necessary to add further subdivisions. Too great detail, however, in the balance sheet is to be avoided, as there is danger of losing sight of the essential facts.

Assets vs. Liabilities.—Assets are defined as all available property and rights which can be applied in satisfaction of liabilities, or which can be turned into money or money's worth. Assets are a list of things of value, exhibited with due regard to their liquidity.

Liabilities consist of all sums due to outside creditors. Proprietary interests are represented by the excess of assets over liabilities. While assets represent the property of the business, the liabilities cover the extent of ownership thereof or interest therein.

Assets are divided into current, other, deferred and permanent; liabilities into current, reserves and capital accounts.

Current assets consist of cash or items which may readily

be turned into cash. Current assets usually include items which the store intends to turn into cash at the earliest practicable moment.

Other assets are those which are neither current, deferred, nor permanent.

Deferred assets represent sums of money which have been spent and the benefit from which will accrue at some time in the future.

Permanent assets consist of property and real estate for permanent or long-continued use.

Current assets and current liabilities, taken together, are usually termed the operating section, the excess of liquid assets over current liabilities being an excellent index to financial condition, and being known as working capital.

The financial section, according to T. L. Blanke, Director of Accounting and Control for the National Retail Dry Goods Association, consists of capital or permanent assets and capital liabilities or proprietary interests, and shows the actual investment of capital contributed in fixed assets and in assets remaining unconsumed in the conduct of the business. The banker and grantor of short-term credits is interested particularly in knowing how much of the current assets will be available for the purpose of new material and the payment of new expenses, after provision has been made for liquidating the existing accounts and notes payable.

In the case of long-term credits the capital assets play a much more important part. The proportionate amount of fixed assets and the amount of capital provided for the business serve to indicate whether the business is being financed on borrowed money or paid-in capital, and determines whether or not the borrower will be able to pay loans at maturity. It is for the purpose of ascertaining this fact that banks generally request the settlement of all notes outstanding at least once a year. Should the concern be unable to meet this requirement it would indicate insufficient working capital, or that the working capital was tied up in undesirable assets.

Current Assets.—Current assets ordinarily consist of:

1. Cash.
2. Notes receivable.
3. Accounts receivable.
4. Merchandise inventory.
5. United States securities.

1. Cash. This includes cash on hand and on deposit with different banks. From the point of view of liquidity it is the most available asset and hence is listed first. For the benefit of the management the various cash funds and bank accounts should be listed separately.

2. Notes receivable. This heading represents the face value of all evidences of indebtedness which are the property of the business and which are considered collectible, not including investments, however. Accrued interest on notes should be included in order to get the full present-date value. When notes receivable have been discounted at the banks, the liability should be shown. The total of notes receivable should be stated, however, on the balance sheet, and the amount of discounted notes deducted, so as to show the net amount represented by notes on hand.

3. Accounts receivable. This heading includes several classes of accounts with customers, notably charge, C.O.D., will-calls, and mortgages. It is necessary here to estimate the amount of bad debts in order not to overstate this heading under assets, and to set aside a reserve to cover possible losses.

A reserve should also be set up to cover possible losses on notes and accounts receivable. Although it is customary to credit gross margin with the amount of excess of sales over cost of merchandise sold at the close of the accounting period, conditions may arise which will cause losses in the accounts during a certain period. It is, therefore, wise policy to provide for them out of the profits which the accounts brought about. Where this is not done it is impossible to tell from the balance sheet how much of the surplus is free for the payment of dividends.

4. Inventory. The merchandise inventory account is usually subdivided into three sections:

a. Stock on hand.

b. Stock in transit.

c. Stock paid for in advance.

Merchandise on hand is charged with the opening inventory and net purchases, including transportation charges, and credited with the cost of merchandise sold, the remainder being the cost value of the merchandise on hand. Since the

accuracy of the profit and loss account is absolutely dependent upon the accuracy of the inventories of merchandise at the beginning and end of the period covered by the balance sheet, it is desirable that this item shall reflect the proper value.

5. United States securities. Occasionally it is desirable to invest surplus funds in securities which may be converted into cash at any moment. The investment, therefore, is considered a current asset. Securities thus purchased should be entered at cost or at face value. If at face value the amount should be extended short and the discount deducted, carrying the net amount to the balance sheet.

Other Assets.—All personal and impersonal accounts not included elsewhere are listed under other assets. Nine classifications are suggested as follows:

1. Securities owned and accrued interest.
2. Stocks owned.
3. Notes receivable and accrued interest.
4. Insurance deposits.
5. Cash surrender value of life insurance policies.
6. Common carrier claims.
7. Real estate and buildings not used in operations.
8. Personal accounts.
9. Sundry accounts.

Securities and stocks differ from the heading "United States securities."

Notes receivable include those taken from others than customers. Customer notes are listed under current assets.

Insurance policy accounts will have to be adjusted from time to time in order to make them show actual value.

Real estate and buildings purchased for future requirements of the business are carried at cost in separate accounts on the ledger. It is permissible to add the carrying costs of these lands and buildings to the original cost value, including taxes and interest. However, if carrying charges are added, it is suggested that a reserve be set up of the same amount because of the speculative nature of the transaction. This reserve may be transferred to surplus when the lands and buildings are put to use.

Personal accounts include all accounts receivable from other

than trade debtors, and are treated the same as customers' accounts receivable.

Sundry accounts include miscellaneous small accounts, although it is necessary to take care that important facts relating to the financial condition of the business are not buried here.

Deferred Charges.—"Deferred charges" indicates that payment has been made of expenses properly belonging to a period subsequent to the date of the balance sheet and hence entitled to be reckoned as assets. For example, Figure 48 provides for:

1. Unexpired insurance premiums.
2. Supply inventory.
3. Prepaid expenses.

In some cases no actual asset is represented, yet these accounts represent a prepayment or anticipation of an expense, and provide for the proper adjustment of net profits as bebetween different fiscal periods. (T. L. Blanke)

Permanent Assets.—Permanent assets ordinarily include those necessary to production and sale of goods; those which do not enter directly into the goods themselves; and those that are not the product of the sale. The real test of a permanent asset is not the readiness with which it can be converted into cash but rather the condition in which the concern would be placed from the standpoint of efficient operation if the investment were disposed of. If the business would be hampered seriously, the asset should be regarded as permanent.

Permanent assets will generally fall into the following classifications:

1. Land.
2. Leasehold.
3. Building.
4. Machinery, fixtures, equipment.
5. Delivery equipment.

Depreciation should always be provided for, the amount to be based upon the best possible knowledge of conditions. Depreciation is not a disposition of part of the profits but rather an expense without which profits cannot be ascertained,

and such provisions for depreciation should be a deduction from the asset on the face of the balance sheet, as they represent an estimate of losses actually incurred and must be deducted from the asset so that the true remainder value of the asset may be stated. (T. L. Blanke)

Good Will, Patents, and Trade Marks.—Good will is an intangible asset, and can be valued only according to the results which it brings about. The amount of the valuation cannot be arrived at with certainty unless the good will is so intimately bound up with personal reputation that it becomes purely personal and is thus not a matter which can be transferred to other hands.

One of the best definitions of good will is that given by the United States Circuit Court of Appeals in the case of Washburn vs. The National Wall Paper Company (81 Fed. Rep. 20):

> When an individual, or a firm, or a corporation has gone on for an unbroken series of years conducting a particular business and has been scrupulous in fulfilling its obligations, and careful to maintain the standard of the goods dealt in, and absolutely fair and honest in its business dealings, that customers of the concern were convinced that their experience in the future would be as satisfactory as in the past; while such customers' good report of their own experience tends continually to bring new customers to the concern, there has been produced an element of value quite as important—in some cases perhaps far more important—than the plant or machinery with which the business is carried on. That it is property is abundantly settled by authority and, indeed, is not disputed. That in some cases it may be very valuable property is manifest. The individual who has created it by years of hard work and fair business dealings usually experiences no difficulty in finding men willing to pay him for it if he be willing to sell it to them.

The point which the courts recognize is that good will is a property right and, therefore, produces business. The measure of its value must be determined to a large extent by the type of business considered. The basis, as used by most accountants, is to set up the value of good will, as derived from an equal investment. To get a more practical value of good will the following points must be taken into consideration:

1. The annual amount of such surplus earnings.

2. The degree to which the good will may be transferred.

3. Length of time during which it will continue.

The determination of the amount of surplus profits is generally based on the records of past experience and relies upon the accounts of the firm in computing its good will. How long a period should be taken in the survey is a delicate problem. A single year is not a sufficient period, for the high or low profits of that year may be due altogether to temporary conditions. Too long a period should not be considered, for the conditions of the remoter years may be so different from those prevailing at the time of valuation as to make the average of little significance. Generally the accepted periods are from three to five years.

1. In determining the amount of surplus profits to be capitalized, two distinct methods are used. One is to capitalize the entire net profits, and another way is to deduct from the net profits the assumed normal rate of profits on the capital actually invested, and then capitalize the remaining surplus earnings.

2. The transferability of the excess income is a point which varies greatly. When a lawyer, physician, or other professional man sells his good will, it is always a question as to how far the clientele which he has had is a purely personal matter. On the other hand, the surplus derived from an exclusive franchise of a street railway is clearly transferable. Between these two limits there is room for variation, depending largely on the degree to which the personal element of the proprietor has been a determining factor in creating the profits. A large city department store, being almost a public institution, would come very close to the case of a transportation franchise.

3. The duration of the annual excess depends on two factors: those having to do with competition, and those relating to general trade conditions. Error has been committed in the calculations of many large combinations in assuming the continuance of large profits, where such is conditional on the absence of competition. Similarly, a change in general trade conditions may have an appreciable effect on good will.

Due to the variation in trade conditions and competition,

it is difficult to lay down a rate on which to capitalize good will. The best authorities on accounting practices have given rough estimates of from one to five years. In figuring the good will of large manufacturing firms, valuations from ten to sixteen years have frequently been used. Large city department stores should be able to figure on ten years, and in some cases considerably longer. There is a limit, however, in that the Treasury Department specifically states that the good will, trade-marks, patent rights, etc., of an organization can be held at only 25 per cent of the total assets.

Current Liabilities.—Current liabilities consist of notes payable, accounts payable, and accrued accounts.

Notes payable are divided up into several minor classifications, with a view to submitting the balance sheet as a basis of credit. These sub-headings are:

a. For money borrowed from banks.
b. For money borrowed through brokers.
c. For money borrowed from individuals.
d. For purchases.
e. Trade acceptances.

Accounts payable include all liabilities incurred by the store upon open accounts. Arranged in order of importance, these are:

a. For purchases, etc.
b. For Federal sales taxes.
c. For unredeemed cash sale credits.
d. For unredeemed merchandise orders.
e. Employees' deposit accounts.
f. Dividends declared and unpaid.
g. Leased section accounts.
h. Personal accounts.
i. Sundry accounts.

Accrued accounts include services which have been rendered previous to the date of the balance sheet but unpaid on that date. It will include such items as taxes, payroll, interest, rent, advertising, traveling expenses, water, etc.

Reserves.—A certain amount of surplus net earnings should be set aside in the reserve fund to meet contingencies. For example, when the balance sheet is submitted the amount of

the Federal income tax may not be known. It is, therefore, advisable to set aside a portion of the surplus to meet this requirement.

Proprietary Interests.—The proprietary interests of a corporation consist of the capital stock and surplus profit and loss. Where a sole ownership of partnership is concerned, the capital accounts and undivided profits form the proprietary interests. The valuation to be placed on these is determined by whatever values are put on assets and liabilities. Any changes in these are reflected in the proprietorship accounts.

Provision has been made on the balance sheet illustrated for showing the total amount of the various classes of stock authorized with the amount unissued extended short on the balance sheet, so that the full information as to the status of the company can be shown.

Surplus.—It is customary in corporation accounting to carry current profit and loss balance in an undivided profits account until the close of the fiscal year, and then transfer it to surplus. These accounts will show the amount available for dividends at the date of the balance sheet and constitute an addition to the capital of the concern.

In the accounts of individual traders or partnerships the profit and loss current account is closed out at the close of the fiscal period and the balance carried to the credit of the capital account or accounts, as the case may be.

The Operating Statement.—The operating statement denotes progress, while the balance sheet determines position. It serves to resolve profit and loss into its component parts. It shows what past results have been and what future plans should bring forth.

Figure 49 shows operating statements for small and large stores, the only difference being in the addition of further detail, fundamentals remaining the same.

Starting with gross sales, they show how net sales are arrived at by the deduction of returns and allowances. Deducting the cost of sales from net sales gives gross operating profit. Operating expenses are then deducted to give net operating profit or loss, and the application to this figure of

other income and deductions results in net profit or loss. After provision for Federal income tax, the final balance is transferred to current profit and loss, and the operating statement has accounted completely for all income and outgo.

Sales.—The total of all sales, less any discounts granted to customers or employees, but before any returns or allowances are reckoned, is called the gross sales. It should be credited at selling price with all sales of merchandise purchased for resale at a profit, of merchandise manufactured in whole or in part by the retailer for sale, with alteration charges collected from customers, and receipts of restaurants and personal service departments.

It should not include sales of waste paper, sales of discarded fixtures, or inter-departmental transfers of merchandise. The two former should be treated as reductions of expense.

It is advisable to divide gross sales into gross cash, gross charge, gross C.O.D., and lay-away or will-call sales. The statement of gross sales may be further divided up according to departments of the store.

The gross sales from leased sections, if there are such in the store, should be shown under gross sales rather than under Other Income. Although the merchandise is not the property of the store, the profits which accrue are made on the sale of merchandise at retail, and it is advisable to combine the total sales of merchandise within the store.

The only reductions from gross sales should be credit given to customers for goods returned by them during the period. Returns and allowances not only represent a cancellation or reduction of selling price previously credited to gross sales, but are, in addition, an element of expense which produces no immediate return, and which should be included as a cost of obtaining the sales which stay sold.

Out of net sales all items of cost or expense must be met. It is, therefore, taken as 100 per cent, and all subsequent percentages are based on this figure.

The cost of sales includes:

Inventory at beginning of period.

Purchases net.

Freight, express and cartage inward.

Total inventory and purchases.
Inventory at end of period.
Gross cost of merchandise sold.

Form for a Business Having No Leased Departments

OPERATING STATEMENT

(Name of Company)
(Date)

	Month of		Year to Date or ( ) Months	
Income				
Sales				
Gross Sales	$		$	
Less: Returns and Allowances				
Net Sales		$	$	
Cost of Sales				
Inventory at beginning of period	$			
Purchases—Net				
Freight, Express and Cartage Inward				
Total Inventory and Purchases	$	$		
Inventory at end of Period				
Gross Cost of Merchandise sold	$	$		
Discount Earned on Merchandise Purchases				
Net Cost of Merchandise Sold	$	$		
Alteration Costs				
Total Merchandise Costs	$	$		
Operating Expenses				
Cost of Sales			$	
Operating Profit or Loss	$		$	
Other Income and Losses				
Other Income	$	$		
Other Losses				
Other Income or Losses—Net				
Net Profit or Loss	$		$	
Provision for Federal Income Taxes				
Balance to Current Profit and Loss	$		$	

FIG. 49.

Form for a Business Having Owned and Leased Departments

OPERATING STATEMENT

(Name of Company)
(Date)

	Month of		Year to Date or ( ) Months	
Income				
Sales				
Gross Sales—Owned Depts	$		$	
Less: Returns and Allowances		$		$
Gross Sales—Leased Depts.	$		$	
Less: Returns and Alowances				
Net Sales		$		$
Cost of Sales				
Inventory at beginning of Period	$		$	
Purchases—Net				
Freight, Express and Cartage Inward				
Total Inventory and Purchases	$		$	
Inventory at end of Period				
Gross Cost of Merchandise Sold	$		$	
Discount earned on Merchandise Purchases				
Net cost of Merchandise Sold	$		$	
Alteration Costs				
Merchandise Costs—Owned Departments				
Merchandise Costs—Leased Departments				
Total Merchandise Costs	$		$	
Operating Expenses—Owned Departments	$		$	
Operating Expenses—Leased Departments	$		$	
Operating Expenses Total		$		$
Cost of Sales—Owned Depts.		$		$
Cost of Sales—Leased Depts.		$		$
Cost of Sales—Total		$		$
Operating Profit or Los				
Other Income and Losses				
Other Income	$		$	
Other Losses				
Other Income or Losses—Net				
Net Profit or Loss		$		$
Provision for Federal Income Taxes				
Balance to Current Profits and Loss		$		$

FIG. 49.—Operating Statements.

Discount earned on merchandise purchases.
Net cost of merchandise sold.
Alteration costs.
Total merchandise costs.

Operating expenses.
Cost of sales.

Inventory at beginning of period is discussed under inventory at end of period.

Purchases Net.—Purchases net is first debited with the invoice cost of all merchandise purchased for resale, less trade discounts which are an integral part of the purchase price, but before deducting cash discounts which are conditional upon the date of settlement. Purchases should be charged both with cost of materials bought for manufacturing departments and with the manufacturing payroll and other expense.

Transfers to a selling department should be made at total cost, the selling department taking credit for sales, when made, at full retail prices. Import duties and other charges on foreign merchandise, such as insurance, are a part of the cost of such merchandise and should be charged to purchases. The account is credited with all merchandise returned to manufacturers and with all allowances received from them on account of unsatisfactory merchandise.

Freight, Express and Cartage Inward.—Under this heading are charged all inward transportation costs, since such charges are an additional cost of the merchandise rather than an expense. This is particularly important from the merchandise standpoint, since the cost of identical goods to merchants located at different distances from the central market is not the same, and mark-up comparisons between them will be misleading unless the variable factor of transportation is included in their merchandise costs.

Transportation charges differ from expenses in their dependence upon the movement of merchandise inward, fluctuating in exact proportion to the volume of goods received. They are neither fixed nor controllable as are expenses.

Inventory.—Total inventory and purchases is inventory at the beginning of the period plus purchases—net, and transportation charges inward.

Inventory at the end of the period should be the inventory of merchandise on hand, taken at (a) cost or (b) cost or market, whichever is lower. The latter method is best if an overstatement of profits is to be avoided.

Under the retail inventory method, depreciation is automatically taken into account through markdowns, so that inventory at end of period is actually depreciated inventory. Inventory at the end of the period should consist of:

1. The cost equivalent of the retail value of the merchandise on hand. This cost equivalent is obtained by applying to the retail value of the inventory the complementary cost rate of the average percentage of purchase mark-up; *i.e.*, the percentage rate reached by subtracting the latter from 100 per cent.

2. Materials on hand in manufacturing departments.

3. Manufacturing payroll and materials involved in work in process, unfinished jobs which have not been transferred from a manufacturing to a selling department.

Under the cost inventory system, by use of a code system the inventory is figured at billed cost. Great care is necessary to see that the figure used is either cost or market, whichever is lower. Under the cost inventory system, inventory at end of period should consist of:

1. Merchandise on hand at (a) cost, or (b) cost or market, whichever is lower, according to the method used by the merchant. Materials on hand in manufacturing departments should be included.

2. Average rate of freight, express and cartage inward for the period, wherever the figure is obtainable.

3. Manufacturing payroll and materials involved in work in process, unfinished jobs which have not been transferred from a manufacturing to a selling department.

Merchandise Sold.—The gross cost of merchandise sold is total inventory and purchases less inventory at end of period.

The discount earned on merchandise purchases may be treated as a reduction in cost of these purchases or as "other income" and credited at the bottom of the operating statement after net operating profit or loss is determined.

The net cost of merchandise sold is gross cost of merchandise sold less the discount earned on merchandise purchases.

Under alteration costs should be included materials used, wages and other expenses of alteration rooms. Added to the

net cost of merchandise sold this gives merchandise costs—owned departments.

Expenses are treated at length in the next chapter. In the operating account this item covers all expenses, both direct and indirect.

The sum of total merchandise costs and operating expense gives the total cost of sales.

Operating profit or loss is obtained by subtracting total cost of sales from net sales.

Other Income, Etc.—Other income represents non-operating income from sources other than the ordinary operations of the business as represented by the preceding items. The following items are typical of this classification:

1. Rent charged to departments.
2. Telephone rental, in payment for space occupied by pay stations in the store.
3. Interest charged to departments.
4. Discount earned on other than merchandise purchases.
5. Sales of boxes, waste, etc.
6. Interest on receivables.
7. Interest on government securities.
8. Interest on other securities.
9. Dividends from investments.
10. Miscellaneous.

Other losses represent non-operating losses. Other income or losses net is simply other income less other losses.

Net profit or loss is operating profit or loss plus or less other income or losses—net.

The provision for Federal income taxes is not an expense but a sharing of profits with the government. It represents the portion of net profit necessary to satisfy the current tax laws. By subtracting it from net profit or loss the final balance to current profit and loss is obtained.

CHAPTER XXI

EXPENSES AND BUDGETS

Cost accounting, or the classification and distribution of expenses, is a vital factor in the control and management of any retail store. The Controllers' Congress of the National Retail Dry Goods Association has drawn up a standardized expense classification which, after careful trial, has proved successful in operation. It has been used by the Harvard Bureau of Business Research as a basis for studies of department store costs.

Since operating conditions vary so greatly, the system has been drawn up in such a way as to be flexible. Both the smaller and larger store have been provided for, and in such a way that the expanding enterprise will find it readily possible to expand its cost system at the same time.

For the small store the purpose is to treat expenses as pertaining to the business as a whole. For the larger store there is a departmental classification of expenses which, nevertheless, is a direct outgrowth of the single-unit classification.

The basis of the standardized system of expense classification and distribution are the fourteen natural divisions, and the five functional group classifications.

Natural Divisions of Expense.—The natural divisions of expenses are fourteen in number, arranged in the order of probable expenditure but without regard to function. They are shown on next page, with operating costs for department stores during 1921 and 1922 as ascertained by the survey of the Harvard Bureau of Business Research.

These accounts can be expanded to suit the volume of business of the individual merchant, or perhaps his desire for detailed classification.

The small store with the proprietor and one or two clerks is a functional unit. One man meets customers, sells goods, keeps stock, receives and ships merchandise, etc. Hence there would be no purpose in keeping accounts along functional

OPERATING EXPENSES, 1921 AND 1922 IN DEPARTMENT STORES WITH NET SALES OF $1,000,000 AND OVER—104 FIRMS

Net Sales=100 Per Cent

	1921	1922
Salaries and Wages	15.4%	15.4%
Rentals	2.9	3.0
Advertising	2.7	2.9
Taxes	0.6	0.5
Interest	1.9	2.1
Supplies	1.0	1.0
Service Purchased	0.6	0.6
Unclassified	1.3	1.1
Traveling	0.4	0.4
Communication	0.2	0.2
Repairs	0.2	0.2
Insurance	0.3	0.4
Depreciation:		
Losses from Bad Debts	0.2	0.2
Other Depreciation	0.5	0.6
Professional Services	0.1	0.1
Total Expense	28.3	28.7

lines. In such a store the fourteen items of expense would exist in their simplest form.

1. **Salaries and Wages.**—Under salaries and wages is included all compensation to employees for salaries, wages, commissions, bonuses, P.M.'s, suppers, etc.

2. **Rentals.**—Rentals include all rents paid for premises occupied, and interest on the valuation of owned premises. If the premises are leased and improvements have been made by the store, both rents paid and interest on the investment therein should be considered as rental. Proration of rentals to different departments of the store is treated later in this chapter.

If any of the premises owned or leased are rented, the income and expense should be handled as a separate operating unit and not under this heading.

3. **Advertising.**—Advertising includes all newspaper, periodical, and program space, street-car cards, billboards, catalogs, circulars, electric signs, novelties and contributions having a direct advertising value.

Taxes.—Taxes include all city, county and state taxes on land, buildings, fixtures, equipment and merchandise,

moneys, accounts, etc., state excise or corporation, Federal capital stock, state taxes of outside buying offices and licenses.

5. Interest.—Interest is included on the net investment in the business, except that on owned land and buildings or the improvements on leased premises which have been provided for under rent.

The interest on merchandise should be computed on the average cost inventory at the end of the period; fixtures and equipment on the depreciated value at the beginning of the period; on all other assets used in the regular operation of the business, including cash, customers' and employees' notes and accounts, merchandise in transit and paid for in advance, deferred charges, and any other operating assets, less liabilities and reserves, but excluding capital stock, investment accounts of owners, and profit and loss or surplus.

Liabilities having been deducted in computing net assets, the interest on borrowed capital, either notes or accounts, should be included. All interest earned on notes or accounts in the regular course of business should be credited to interest on notes and accounts referred to in preceding paragraph.

Interest earned on investments outside of the regular operations of the business should not be included under this heading.

6. Supplies.—All supplies used in operating the business, including all items classed as supplies, and water, coal, gas, and subscriptions to publications, come under this heading.

7. Service Purchased.—This division takes care of light, heat, and power, and delivery only when this class of service is purchased from outside sources.

8. Unclassified.—Divisions not definitely provided for under other captions are herein included, and comprise classified advertising, memberships and dues, entertainment, welfare, inspection fees, carfare, cashiers' shortages, errors, donations (cash), unauthorized purchases, discount not taken, etc.

9. Traveling.—This includes traveling expenses incurred in connection with operating the business, including buying and selling.

10. Communication.—Under this heading come all postage (except parcel postage on packages), telephone, telegrams and cable charges.

11. Repairs.—Repairs to buildings, fixtures, equipment, power plant, and delivery equipment should be included in this account. It consists of all ordinary repairs to buildings and equipment for which depreciation has not been provided for. New equipment or improvements properly chargeable to capital assets should not be included.

12. Insurance.—All forms of insurance, fire, liability, sprinkler leakage, use and occupancy, theft, etc., are included.

13. Depreciation.—Depreciation includes the amount considered as covering amortization, wear, tear, and obsolescence of buildings, leasehold, fixtures, and equipment. Under this heading are also included losses resulting from, or reserve provided for, bad accounts.

14. Professional Services.—This division includes all legal, accounting, secret service, and advertising professional services purchased, credit information, and collection costs.

Classifications by Groups.—As soon as a store becomes divided into several selling departments with a definite space set aside for office activities, and perhaps before the owner has relinquished control of buying, there is felt a need for functional accounting, since the store is now run on a partly or completely functional basis. Hence it is necessary in any standard system to provide for group classifications according to the functions of the store, as follows:

1. Administrative.
2. Occupancy, including light, heat and power.
3. Publicity.
4. Buying.
5. Selling, including delivery.

Figure 50 shows these functional group classifications applied to various classes of stores. No attempt has been made to place any limits on Class A, B, C or D, since the merchant himself can readily determine from the subdivision of functions into which class his store will fall. Some comparatively small stores are highly departmentalized.

The administrative function includes executive offices, accounting offices, credit offices, superintendency and general store expenses.

Under occupancy are grouped items applicable to maintain-

FIG. 50.—Chart of functional group classification of expense and subdivisions thereof.

A—Administrative
O—Occupancy
P—Publicity
B—Buying
S—Selling

Group	Class "A" Stores		Class "B" Stores		Class "C" Stores		Class "D" Stores	
	Department		Department		Department		Department	
	No.	Name	No.	Name	No.	Name	No.	Name
A	1	General office and store	2	Executive office	2	Executive office	2	Executive office
			3	General office	4	Accounting office	5	Auditing
							6	Billing
							7	Accounts payable
							8	Statistical
							9	Mail clerks and stenographic
							10	Research and planning
							11	Controllers
							12	Payroll
							13	Cashiers
					16	Credit offices	16	Credit offices
			17	General store	18	Superintendency	18	Superintendency
					19	General store	19	General store
O	21	Building maintenance	22	Building maintenance	23	Supervision	23	Supervision
					24	Operating	24	Operating
					25	Housekeeping	25	Housekeeping
					26	Protection	26	Protection
			28	Warehouse	28	Warehouse	28	Warehouse
	29	Light, heat and power	29	Light, heat and power	29	Light, heat and power	29	Light, heat and power

FIG. 50.—Chart of functional group classification of expense and subdivisions thereof.

A—Administrative
O—Occupancy
P—Publicity
B—Buying
S—Selling

Group	Class "A" Stores		Class "B" Stores		Class "C" Stores		Class "D" Stores	
	Department		Department		Department		Department	
	No.	Name	No.	Name	No.	Name	No.	Name
P	31	Advertising	32	Advertising	33	General advertising	33	General advertising
					34	Circular advertising	34	Circular advertising
			35	Display	36	Windows	36	Windows
					37	Interior decoration	37	Interior decoration
B	41	Merchandising	42	Merchandising	43	Merchandise office	43	Merchandise office
							44	Merchandising comparison
					45	New York office	45	New York office
					46	Foreign office	46	Foreign office
			47	Receiving and marking	48	Receiving and marking	48	Receiving and marking
					49	Stock rooms	49	Stock rooms
S	51	General selling	51	General selling	52	General selling	52	General selling
					53	Adjustment	53	Adjustment
					54	Mail and telephone orders	54	Mail and telephone orders
	60	Delivery	60	Delivery	61	Shipping room	61	Shipping room
					62	Garage and automobiles	62	Garage and automobiles
					63	Wagon delivery	63	Wagon delivery
					64	Special delivery	64	Special delivery

Items chargeable direct to selling departments should have prefixed to them the letters, A, O, P, B or S, as they may apply. The numbers opposite each department are suggestive only.

ing the premises occupied, including fixtures and equipment. It also includes rentals of buildings or interest on owned premises, taxes, insurance, depreciation, light, heat and power, and cost of maintaining all buildings and fixtures, so that they may be used for retail purposes.

Under publicity are included all items pertaining to newspaper, circular, billboard, and other forms of advertising, interior, exterior and window displays.

Under buying are all items pertaining to the buying of merchandise and including merchandising offices, outside buying offices, merchandise comparison office, receiving, marking, and stock rooms.

Selling covers all of the expenses necessary in the selling of the merchandise from the time it is received in the department up to and including the cost of delivery to the customer and including any adjustments made thereafter.

The following table shows the natural divisions of expense according to functional groups. Salaries and wages are common to all groups:

ADMINISTRATIVE AND GENERAL

1—Salaries and wages
4—Taxes
Interest
5—Supplies
7—Unclassified
8—Traveling
10—Communication
Repairs
12—Insurance
13—Depreciation
15—Professional services

OCCUPANCY

1—Salaries and wages
2—Rentals
4—Taxes
Interest
5—Supplies
Service purchased
7—Unclassified
Traveling
11—Communication
Repairs
12—Insurance
13—Depreciation
Professional services

PUBLICITY

1—Salaries and wages
2—Rentals
3—Advertising
5—Supplies
7—Unclassified
8—Traveling
10—Communication
11—Repairs
Insurance
16—Professional services

BUYING

1—Salaries and wages
2—Rentals
Taxes
5—Supplies
7—Unclassified
8—Traveling
10—Communication
Insurance
Professional services

SELLING

1—Salaries and wages
Rentals
Taxes
Interest
5—Supplies
Service purchased
7—Unclassified
8—Traveling
Communication
Repairs
Insurance
Depreciation

Distribution and Proration.—While keeping the functional grouping of expenses, wherever possible expenses should be charged direct to the selling departments to which they apply. Charges to service or non-selling departments are redistributed

to the operating or selling departments. For example, if the circular advertising department should prepare advertising matter specifically for the Millinery Department, the total cost of that circular should be ascertained and charged to the Millinery Department.

Floor Space Rentals.—The importance of establishing a satisfactory degree of comparison in operating costs of stores, and the relatively high proportion of such costs appearing under the caption of occupancy, suggest the desired method of treating particularly upon the largest item placed under the latter heading; namely, that of rentals.

A clear statement of the principle of rentals in relation to standardized accounting for retail stores will serve as a guide in its application. The amount charged to rentals should represent the amount paid as rent for the properties used in the conduct of the business, or the occupancy value of such properties; the latter on the theory that real estate profits are quite distinct from merchandising profits. Only by the inclusion in the expenses of a merchandising business of rentals on owned properties used in that business can the merchant determine the amount of profits arising out of merchandising operations.

It is suggested that consideration be given to the following:

1. The rental value of similar properties in the immediate vicinity.

2. A proper return upon the apparent real estate value of the properties.

In cases wherein there is a difference between the values disclosed by 1 and 2 as above, it would in most cases be proper to establish a figure compromising between the two, for the following reasons:

May represent a temporary condition due to extreme business conditions or to unusual leasing conditions in the vicinity, and therefore would not in itself be suitable for a basis, or may disclose an amount at variance with the leasing conditions in the immediate vicinity.

There are, generally speaking, three classes of operators, as follows:

a. Those leasing all properties used.

b. Those owning all properties used.

c. Those leasing part and owning part.

Only classes b and c, as above, present any problem in determining the total rentals, and these only in the matter of the properties which are owned.

In some extreme conditions the amount paid under a lease may fail to represent an amount even approximating the value of the premises. In such cases, if the variation be of sufficient amount to justify the procedure, a value may be arrived at as in the case of owned properties, and the amount of the excess credited to a special lease account appearing under "Other Income" on the Operating Statement.

After deciding upon the amount to be charged to rentals for all properties used, the next process should be to determine the relative values of different parts of the properties. In this connection, consideration should be given to the following:

a. Value of the Show Windows.

b. Value of the Street Floor.

c. Value of the Basements and Upper Floors.

d. Relative values of most favorable locations.

a. The floor space valuation of the show windows should be determined by its display value, but only in proportion to the location valuation placed on the entire street floor.

The floor space rental established is charged to Rentals 02–1 under the Window Department in the Publicity group.

b. The value of the street floor is affected by the following considerations:

1. Exposure or frontage.
2. Number and locations of entrances.
3. Number of stories.
4. Layout of ground plan.
5. Number and location of elevators.

c. The values of basements and upper floors are more readily determinable after the windows and street floor have been assigned a value. Basements suitable for and used as merchandising space should be accorded a higher value than if used for non-selling purposes. Usually the floors decrease in value according to their height above the ground. In this

matter the adequacy of the elevator service is of prime consideration.

Generally speaking, the assignment of values inside the store building is arbitrary, but a fair disposition of the matter may be made if due consideration be given to all of the factors. The particular departments carried bear on the subject, inasmuch as certain departments are more favorably located above the street floor.

d. It is considered fair and proper in many well-regulated stores to recognize the variation in value as between certain parts of floors by charging some parts with a higher rental than other spaces not so favorably situated. These zones of higher value are usually easily located, and the matter of fixing the amount of variation should not be difficult. Departments located on important aisles or in places where customers congregate, and spaces close to elevators, are examples.

Argument is made that a store may be laid out so that all departments may be assigned locations equally desirable, provided that in the plans proper consideration be given to the relation of departments to one another. It is held that in every store there is an ideal location for each department, and that no effort should be spared in determining and assigning these locations. The proponents of this theory claim that there should be no difference recognized in rental value of space used in selling, but that all area used in selling should be charged at the same rate.

As rental is to be charged to selling, alteration, manufacturing and window departments only, it is advisable to establish a per square foot rental on the various locations and floors, excluding windows, as this has been previously determined, and after measuring the spaces occupied by the selling, alteration and manufacturing departments, the rental applicable to each can be readily computed. In establishing the per square foot rental charge it should be remembered that in eliminating the service departments, the rentals of the space occupied by the other class of departments must be increased.

The application of the foregoing is more simple than may appear; in fact, the time necessary to complete all of the

calculations and measurements is found to be remarkably little even in stores of larger size. For purposes of correct comparability the rental question is worthy of the particular attention directed to it.

For the guidance of those who have heretofore charged rentals upon some purely arbitrary basis, such as sales, attention is called to the necessity under this plan of providing for the recording and adjustment of departmental changes whenever they occur.

Window Rental.—Expenses of window rental are charged to selling departments on the basis of arbitrary values of each window or case according to its display value.

For example, suppose a store has five display windows, the best of which is arbitrarily valued at $5.00 per day, and two others, based upon their display value in comparison with the best window, at $4.00 and two at $2.00. Windows are used by selling departments during the entire month:

Department Number	Window Number	Number of Days	Rate Per Day	Total
4	1	10	$5.00	$50.00
8	1	8	5.00	40.00
3	1	4	5.00	20.00
1	1	8	5.00	40.00
7	2	12	4.00	48.00
5	2	9	4.00	36.00
1	2	9	4.00	36.00
10	3	8	4.00	32.00
9	3	22	4.00	88.00
6	4	10	2.00	20.00
4	4	12	2.00	24.00
2	4	8	2.00	16.00
8	5	20	2.00	40.00
5	5	10	2.00	20.00
Total.....		150		$510.00

The $510.00 represents the total arbitrary value charged to selling departments for window rental. Taken as 100 per cent it is accordingly distributed to selling departments as follows:

Department Number	Arbitrary Value	Per Cent
1	$76.00	14.90
2	16.00	3.14
3	20.00	3.92
4	74.00	14.51
5	56.00	10.98
6	20.00	3.92
7	48.00	9.41
8	80.00	15.69
9	88.00	17.26
10	32.00	6.27
	$510.00	100.00

The percentages opposite each department designate the portion of time that they used the space, based upon the arbitrary display values of the windows to each other. The percentage having been determined, the next step is to distribute the total expenses of the window department to the selling departments, and the following example is offered, considering that the total expense actually incurred amounted to $400.00:

Department Number	Per Cent Used	Total
1	14.90	$59.60
2	3.14	12.56
3	3.92	15.68
4	14.51	58.04
5	10.98	43.92
6	3.92	15.68
7	9.41	37.64
8	15.69	62.76
9	17.26	69.04
10	6.27	25.08
	100.00	$400.00

No loss or profit will accrue to the business, as the actual expenses incurred will be charged to the selling departments.

Alteration and Manufacturing Departments.—For the purposes of standardized accounting it is best that alteration and manufacturing departments operate on a cost basis without profit or loss to themselves.

In cases where all work is done for one department, expenses are charged simply to cost of sales of that department. Where work is done for several departments, it is necessary to keep records covering the work done for each selling department. In the case of alterations, these records should be based upon the cost of each alteration made and the total amount applicable to each selling department computed in percentage, as its ratio in per cent bears to the grand total of all costs completed during the period by the alteration department. The total of the expenses of the alteration department can be transferred to the respective selling departments, apportioned on the basis of the percentages. Inventory of material and supplies should be taken at the end of each month or period if the actual expenses are desired. Charges made to customers for alterations will be included in selling department's sales.

The manufacturing departments should be operated on a cost-to-manufacture basis. In order to determine accurately the results of manufacturing it is necessary to devise a cost system so that all completed products manufactured can be transferred to the selling departments, either retail or jobbing, at cost; in transferring to retail selling departments, if the retail method is used, the transfers can be retailed the same as purchases made through outside sources.

BUDGETING EXPENSES

A budget is nothing more or less than a financial plan. Like all sound plans it is based on hindsight and on foresight. The two fundamental requirements for a budget are records covering past experiences along similar lines and the future policy, which, in the case of a store, takes the form of planned sales.

The chief objection which has been brought up against the budget is the constant expense of maintaining it. Coupled with this is the extreme flexibility required of it which makes

it undesirable to plan too far ahead. The first objection is merely technical, while the second is answered by the customary practice in retail stores of making budgets on a monthly basis.

Budget practices differ widely, there being as yet no standardized form of procedure. The whole subject is comparatively new, but the fact that so many department stores have adopted the budget in one form or another is evidence of its coming importance in store management. The merchandise budget, the cash budget, the advertising budget, etc., are but the forerunners of the complete expense budget.

The expense budget, as previously stated, rests on:

1. Records of past expenditures over a period of years arranged under certain classifications.

2. Merchandise budget, including expected sales, purchases, and inventories. Only by such knowledge will it be possible to estimate salaries and wages, advertising, supplies, etc.

In all discussion of expense budgeting the important point is not the volume of expenses but the percentage of expenses to sales. Expenses do not increase or decrease relatively so fast as sales. A large portion of the expenses, rent, taxes, depreciation, insurance, etc., remain the same in times of prosperity and depression alike. That is, a great part, if not a majority, of the store's expenses are not subject to executive control, and must be constantly scrutinized to see that they stand in the proper relation to sales.

Preparation of Budget.—J. P. Friedman, in his address at the Controllers' Congress, recommended the following method of estimating expenses:

Each department head should be presented with a sheet prepared under direction of the controller showing expenses for the previous year by months, together with planned sales, purchases, and inventories for each of the months under consideration. This will apply both to selling and non-selling departments alike.

Selling department heads should estimate direct expenses of their departments, while non-selling department heads should also estimate their expenses. These estimates should be forwarded for approval to a committee specially appointed for the purpose, for example, the controller and two others.

This committee is to review all estimates, consult with the various department heads if any questionable items appear; have authority to make any necessary changes; prorate the expenses of the non-selling departments to the selling departments; determine the net profit of each department by deducting from the sales the sum of the cost of merchandise, direct departmental expenses, and prorate the share of the indirect departmental expenses; summarize all the departments—the total being the budget for the entire store.

Only two of the fourteen divisions of expense will be difficult to prepare—supplies and repairs. Complete control could only be had by a perpetual inventory for supplies and a cost system for the maintenance department.

Mr. Friedman advocates applying this idea in a modified form.

Physical inventories are usually taken of such supplies as packing material, stable, delivery equipment and stationery, semi-annually or annually, on the basis of which the consumption for the period under review is determined. On the basis of facts and experience and the planned sales, the consumption for the period for which the budget is being prepared can be estimated, and the amount of each month calculated on the basis of a percentage of the sales. Irrespective of purchases, the estimated figures can be used for expenses, the inventory increasing or decreasing by the difference between purchases and estimated consumption.

Although some differences will develop at the end of the year between actual and planned figures, the variance should not be great.

In regard to maintenance department labor, some sort of time record should be kept, perhaps by hours, all hours being extended at a uniform rate high enough to absorb all of the labor, supervision, and departmental overhead. Repair department material would have to be estimated by the head of the maintenance department, and, although differences would occur at the end of the year, these will be of minor importance.

Operation of Budget.—The control of expenses so that budget allotments will not be exceeded is essential if the budget plan is to be successful. This is particularly important

so far as the variable expenses, payroll, repairs, and supplies are concerned.

The method of controlling payroll followed by Abraham and Straus is first to give the employment department a list showing the number of employees permitted in each department, excluding merchandise departments which are controlled by the assistant administration division chief and buyer or merchandise manager. Their records show daily the number present employed and should the number be greater at any time than the permitted number, the proper division chief is notified. All requisitions for help are checked against the record before filing.

The payroll department reports each week to the statistics department the number of employees and amount of salaries paid for each department. This report is checked against the budget and discrepancies reported. Should a department manager desire to engage more employees than his budget allows, he must submit a request through the statistics department to his division chief. Until approved he cannot engage the employees.

William Thomas, of Abraham and Straus, says:

> the main benefit of our expense budget is that we get the earnest, thoughtful cooperation of our executives to reduce expenses. Each executive knows his particular budget will be scrutinized very closely, first by his own division chief, and then by the budget committee. This knowledge makes him avoid extravagance in any form, makes him think of ways and means to keep down expense and when once he signs his budget he makes a man-sized effort to keep within it. Our actual expense comes within a fraction of one per cent of the amount budgeted.

CHAPTER XXII

LEASED DEPARTMENTS

Leasing of departments is practiced in both large and medium-sized stores, but is more usual in the latter class. Small stores either leave out entirely departments which they do not feel equal to undertake or else handle them in so small a way that any errors due to lack of merchandising ability in that particular department do not materially affect the business of the whole store.

Of those departments which are rented to any extent, the following list shows those most subject to this treatment, listed in the order of their importance:

1. Millinery.
2. Hair goods—hairdressing and manicuring.
3. Crockery and glassware.
4. Carpets and linoleum.
5. Furniture, or house furnishing in general.
6. Optical goods.
7. Pianos, musical instruments, sheet music.
8. Wall paper.
9. Shoes.
10. Furs.
11. Sewing machines.
12. Dress patterns.
13. Men's clothing.
14. Cleaning and dyeing.

There are several other departments which are occasionally leased, such as fruits and vegetables, meats, cut flowers, photographs, dental, toys, toilet preparations, soda fountains and specialties, and books. In rare cases cloak and suit departments are found which are leased.

Departments are never leased to manufacturers, but to syndicates formed for this purpose. The manufacturers may be behind these syndicates but their names do not appear. It is

inadvisable to have a manufacturer interested due to his special interest in disposing of his own line.

Reasons for Leasing.—One of the best examples of exploitation of leased departments is that of the leasing of the various departments in the Wanamaker store in Philadelphia. At the expiration of the leases, each one which showed its ability to pay was taken over by the store. One of the principal reasons for leasing departments is the lack of the necessary detailed merchandising knowledge in the particular line.

Departments are also leased after they have failed to pay the store. In some cases the lessees have the necessary buying power to enable the department to sell goods at the right price to insure success. It is naturally wisdom for a store to lease a department when it can obtain more profit than by running it itself, provided the leased department will be operated on a basis which will not be destructive to the store's general good will.

In seasonal goods where much capital is tied up for considerable periods, it may prove desirable to lease the department.

In the case of hairdressing, manicuring, and special services, the articles are so at variance, the work to handle them so different, and the sales so small a part of the total volume of business that many stores feel it is not worth their time and energy to attempt self-operation of these departments.

The advantages to the store are three:

1. Completeness of line. Where a certain department is necessary to make the store more complete, it is an advantage to the store, even though it may not pay, in that it brings people into the store.

2. Better management. Where the goods sold require specialized knowledge of the particular line, the store may feel it desirable to lease the department to experts.

3. Better price. The quantity buying power of a syndicate, concentrated on a particular line, often enables it to sell articles lower than the price at which the store itself could sell them. It becomes necessary, therefore, to lease the department in order to make a profit.

The disadvantages to the store should not be overlooked.

In the first place it is difficult for the store owner to fix the lease so that the lessee will have to conform absolutely to the code of conduct and general policy of the store. It is apparent that divergent and conflicting interests, inability to control possible radical actions such as cut-price sales, etc., might attract an entirely different class of trade and affect seriously the reputation of the store with a consequent loss of good will.

In the second place a syndicate may overlook the exact needs of a particular locality, especially when its interests are scattered over the whole country.

The advantage to the lessee lies in his procuring a stand in a more or less well-developed market, in the midst of a traffic made up of a definite type of purchasers. He has one great disadvantage, however, to cope with. There is great likelihood of the store taking over the department at the expiration of the lease, after having gained some of the necessary specialized knowledge, and having had a demand for these particular goods created by the lessee's efforts.

Terms.—Percentages paid by concerns leasing departments will vary with the class of merchandise sold and also with the possible volume of business. There seems to be a tendency for considering 15 per cent where the lessee assumes all the selling, advertising, and buying expense. On this basis the lessee and the store are dividing the total expense between them. The ultimate return would depend upon the turnover that the lessee could secure. Of course, in some departments percentages may be less than 15 per cent, especially in ready-to-wear and low-priced shoes. There are a number of stores which have leased ready-to-wear departments on a basis of 7½ and 10 per cent, and similarly with shoe departments.

Some concerns make a flat rate arrangement, some charge a certain percentage on sales, or a flat rate plus the percentage on sales, while others operate on a flat rate plus percentage of profits, or a straight profit basis. The entire proposition really resolves itself into a mutual understanding between the lessee and the store.

Where concerns leasing departments pay only 7 or 8 per cent on their net sales, it is in many instances due to lack of knowledge by the owner of the store when the contract

is signed. In all probability stores are losing money on this basis. Some store owners figure that by leasing their department they are getting some additional revenue and that it is just like found money. They do not stop to consider that if they operated this department themselves they would often show much better results.

The best method of facing the problem is to consider it as though the department were being run by the store, and the rent prorated on this basis. In other words, if a ready-to-wear department were being run in the basement of a store, the operating expenses would probably be about 25 per cent. This would include all overhead expense, such as administrative and general, occupancy, publicity, buying, and selling expense.

If the department is leased, the store is relieved of selling salaries, advertising space, buying salaries, and traveling expense. However, all the overhead of the administrative division, all the occupancy cost, the general expense of the publicity will be retained. In other words, from the usual expense can be deducted about:

3 per cent for advertising.
2 per cent for buying.
6 per cent for selling and salaries.

or a total of 11 per cent which may be deducted from 25 per cent. This leaves a balance of 14 per cent as the net overhead for the department. If 15 per cent is received from the lessee, the net profit is only 1 per cent, and in some cases even this may be doubtful.

If this department were being run by the store, there would probably be a maintained mark-up of about 30 per cent, which should leave a net profit of 5 per cent after all interest on investment, mark-downs, and losses had been deducted.

In leasing any section of the store it is essential to be sure of the integrity and character of the concern to whom the lease is given. In many ways it is like taking a partner into the business.

The Lease.—It is difficult to take any contract for a leased department in its entirety and make it adaptable for the use

of some other organization. When a store is about to lease a department, and a contract is to be drawn up, there are many clauses which have to be placed in it to fit each individual case. Certain points are, however, common to all leases:

1. Term of the Contract. While special circumstances may make it desirable to have a long-term contract, it is rarely in the interests of the store to lease a department for more than three years.

2. Equipment. The store generally agrees to furnish ordinary store fixtures, but if special equipment is necessary, the licensee should be required to furnish it at his own expense. The installation of this special equipment should be made conditional on the consent of the store. The store may reserve the right to change the location of the leased department if it is judged expedient. In such a case it is usual for the store to assume the expense of moving the fixtures.

3. Merchandise Limitations. It is important to have a clear and definite understanding between the parties as to exactly what merchandise is to be sold in the leased department, and the question of whether the leased department has the right to the exclusive sale of these articles. For example, in the case of a hairdressing parlor which sold hair tonic as an accessory, the store would retain the right to sell these same tonics in its drug department.

It is general for the licensee to covenant to carry at all times during the term of the agreement stock of a stated value, and to agree to make prices as low as in competing stores of the same grade.

4. Heat and Light, etc. Heat, light, elevator service, hot and cold water, etc., are ordinarily furnished by the store.

5. Assignment. The store should see to it that the contract should state that no assignment by the licensee should be made without special permission of the store in writing.

6. Hours of Business. The licensee is restricted in doing business to the business days and business hours of the store. If employees of the leased department must remain after hours, permission should be required to be obtained from the store superintendent.

7. Compliance with Other Store Rules. The licensee should be required to conform to all the general store rules. The store reserves the right to control and limit all displays and public exhibitions, or any other demonstrations whatsoever within the leased space. In fact, the store usually keeps the right of modifying them or discontinuing them absolutely.

Disputes are usually settled by the store superintendent or other designated store official.

8. Insurance. The licensee must insure in his own name and at his own expense the merchandise and fixtures contained in his department.

The licensee carries workmen's compensation insurance on his employees, and also specifically exempts the store from any responsibility for acts of employees in the leased department. He also agrees to indemnify the store for any claim or action for damages arising in the conduct of the business.

9. Right of Entry and Termination of Lease. The store or its representatives have the right of entry on the licensee's premises for examination or repairs deemed necessary.

If the licensee forfeits his rights by allowing the department to become vacant, or discontinues doing business, or fails to observe his covenants, or becomes insolvent, or makes a general assignment, the store may terminate the agreement.

10. Employees. Store atmosphere is one of the store's main assets, and the personnel of the store is responsible for the major part of the atmosphere. It is important, therefore, that the store retain control of the hiring of employees for the leased department. It also pays their wages and exercises a general supervision over them. The licensee is, however, responsible for their acts, and vouches for their honesty and their compliance with store rules and regulations.

11. Publicity. Advertising arrangements should be made very clear in the contract. The store should have supervision over the form and the media of advertising. The licensee, however, has a right to expect the same advertising rates as are obtained by the store.

12. Handling of Sales. The store covenants to collect money through its regular channels, just as is done in the general

business. Reports are made weekly or monthly and balances settled.

All business is done in the store's name, but nevertheless the licensee is regarded as an independent contractor engaged in transacting his own business on the premises of the store.

13. Deliveries. The store agrees to deliver articles sold in the leased department within its regular delivery range.

14. Considerable difficulty is sometimes encountered over the question of credit for customers having charge accounts with the store. In general, the store agrees to carry all the accounts, subject to certain conditions if the account remains unpaid longer than a specified time.

15. Sales Guarantee. It is customary for the licensee to guarantee gross sales equivalent to a stated amount. If business does not come up to expectations, the store should have the right to take a certain specified percentage of the receipts. If money received from the leased department during any period is not sufficient to pay disbursements made by the store, this money must be made up in cash by the licensee before a certain day of the following month.

16. It is usual to insert a clause that if the store decides to sell the business or move to new quarters, in such a case it is optional with the store to terminate the lease or not.

SECTION V

MERCHANDISING

CHAPTER XXIII

MERCHANDISING EFFECTIVENESS

The measure of merchandising effectiveness is the degree of adjustment between supply and demand. This can be secured only by an accurate knowledge of the needs of the people composing the store's market. This necessary information should be based on facts rather than on opinions. The buyers must not choose what they themselves like, but what they know the majority of their customers will like.

Market Contact.—To find out what the public wants can be done in any of three ways, and preferably in all three:

1. By a survey of the market.
2. By a tabulation of calls by customers for merchandise.
3. By comparison shopping.

The first method affords knowledge as to the actual and potential wants of the community; the second method is a guide and constant check on the efficiency with which the store has anticipated and is keeping up with market needs; and the third method ascertains what competitors are doing to attract customers in the way of both merchandising effectiveness and service.

The Market Survey.—Louis E. Kirstein, Vice President of William Filene's Sons Company, says:

> The stream of profitable business is bounded on the one side by what we have on hand that the public does not want, and on the other side by what we have not that the public would buy if we had it.

The first method of finding out what the public wants is to go direct to the public.

Business volume is secured by a combination of wants and the ability to satisfy them. A thousand families might desire grand pianos while only ten could afford them. Hence all

market analyses must be conducted along the lines of ascertaining the type of products desired and the percentage of people able to buy them.

The Extension Division of the State University of Iowa, under the direction of Professor O. E. Klingaman, conducted several surveys along the lines of scientific customer contact. It was recognized at the outset that people will shop for some things, and not for others, and therefore the survey showed two territories, one for convenience goods, and the other for shopping lines. The territory for convenience goods, groceries, notions, etc., is always smaller than that for shopping lines and is usually well defined geographically. The market for shopping lines depends on the merchandising effectiveness of the store, the transportation facilities, and the other factors brought out in discussing the ideal location for a store.

A survey should show the population in the following age groups, as age and buying habits are closely associated:

Under 5 years	25 to 34
5 to 9	35 to 44
10 to 14	45 to 64
15 to 19	65 years and over
20 to 24	

It should show also the income. Although more difficult to obtain, income is essential for any quantitative results. Knowing the income, the merchant can estimate approximately the expenditures for the various classes and for various types of goods. For example, he knows that the man with $1,000 income will probably not spend anything for luxuries, while the man with $15,000 will probably spend a great deal and is, therefore, a logical prospect for a great many articles wholly beyond the reach of the $1,000 man.

A survey must determine above all things the buying habits of the people. If a store knows why its customers buy, it can make it easier for them. For example, the Iowa survey found that customers were influenced in buying by the following factors, divided according to city and country purchasers, in the order of their importance (number one being the most important in each case):

	City	Country
Window display	1	3
Newspaper advertisements	2	4
Shopping from store to store	3	1
Recommendations of friends	4	2
Recommendations of the merchant	5	5
Samples	6	7
National magazine advertisements	7	10
Demonstrations	8	9
Circulars through the mail	9	8
Mail-order catalogues	10	6
Billboards	11	11
Street car signs	12	12

It is interesting to note that while window display is the most important factor in influencing city purchasers, it is third on the list of country preferences. Similarly, newspaper advertising, which is second in the city, is fourth in the country.

All merchants will find that ascertaining the wants of the public will be much more profitable than any temporary demand created by an expensive advertising campaign. In other words, one of the principles of merchandising is to sell what the customer wants because it takes the least selling effort.

The Want-slip System.—No better means has yet been devised for informing the buyers and merchandise managers of the public demand than the want slip. If the system is carried out consistently it is valuable not only as an index of the articles called for, but of the comparative volume of demand. The weakness of the system seems due mainly to three causes:

1. Some buyers look upon the want slips as a criticism of their buying efforts and discourage their use.

2. Want slips are not made easily available. They should be given out with the salesbooks in the morning or placed where readily found in the department.

3. New salespeople are not sufficiently instructed in the use of the want slip. Careful training in the purpose and use of the slip, and practice in making it out, should be given by

the educational department, or by the floor superintendent, if the store has no educational department. In any case, the floor superintendent should supplement the teaching by constant follow-up with individual members of his department.

Want slips submitted by a large number of stores show wide variation in form from a slip with merely the word "Want" printed on it, to one including many points. The following list is a summary of the points from many slips:

Date.
Dept. No.
Sales Person's No.
Article.
Two or three lines left for description.
Size Material Price
Objections to stock on hand.
Did you substitute? If so, what?
Customer's name, address, and telephone number.

Buyer's comments.
Goods on order. When expected.
Special order.
Merchandise obtainable.

In some stores the slip is made out in duplicate, one part being sent to the Merchandise Office and the other to the buyer.

Figure 51 shows a form of want slip used in a large department store. The importance of recording the information is stressed throughout. The system reaches the salesperson, furthermore, personally responsible for the information by requiring her signature at the bottom of the slip.

Figure 52 shows the method used by William Filene's Sons Company in recording and tabulating want slips. If a closely similar article is carried, nothing is done. If there are a number of calls for one article in a short time, the buyer is immediately notified. Articles receiving five or more calls are noted on a record form and sent to the buyer, who makes comments or remedies defects in stock.

It is good practice to have departments shopped for items not carried and in this way it can be ascertained whether wants are reported.

DAILY REPORT

OF OUR CUSTOMERS' WANTS

Date_____

Dept._____ Clerk No._____

If we bend every effort to learn in detail, promptly and precisely what our customers want, we shall be equipping ourselves with the most vital information we can get. The whole success of any department depends on having what the people want, at the price they wish to pay. Those who come in contact with our customers have the best opportunity for learning these important facts and a very great responsibility rests on them to report these at once, by means of this slip.

Every call for merchandise of any kind or size, not in stock, must be entered on this slip. Indicate plainly the size, style, color, quality or any other data so that the management and your department merchant may have the benefit of this information.

CALLS TODAY AS FOLLOWS:

I have entered every want today.

_____

Salesperson

ROUTINE

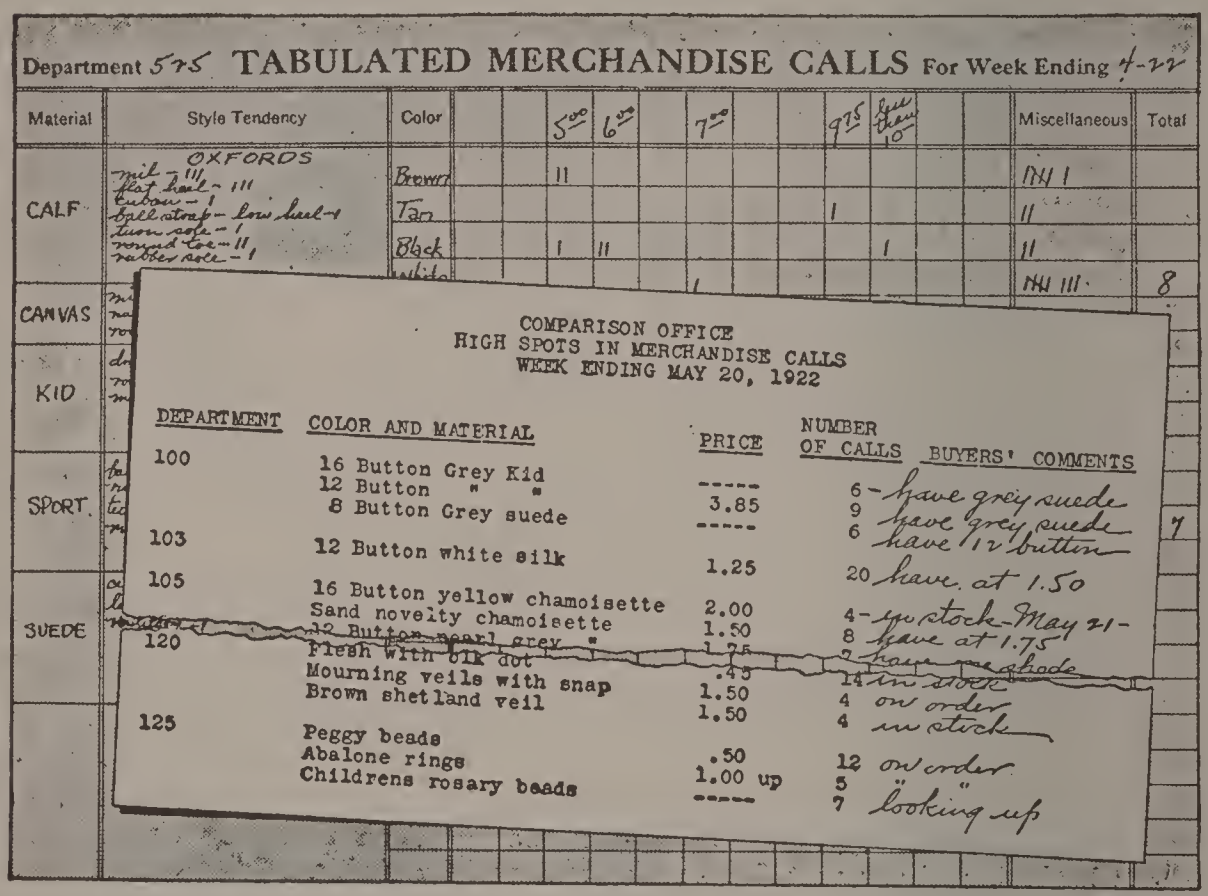
One of these reports will be filled out daily by each salesclerk and turned over at the close of the day to the section manager, who will see that a report is turned in by each clerk, and send the reports at once to the statistical division.

In this statistical division at 9:00 a. m. the following morning the merchandise called for by customers will be listed for each department in quadruplicate on the daily summary of customers' wants.

FIG. 51.—Form of want slip.

In another store, the wants for each department are listed every day under the buyer's name. A long sheet is used, the wants each day being entered until the sheet is filled. The merchandise manager goes over this list daily with the buyer, marking off items as they are filled or rejected.

Another store collects want slips each morning, sorts them, and lists according to department. The buyer makes a report on each item called for, whether it is on order, whether he thinks it practical to have in stock, and whether it can be



Department 575 TABULATED MERCHANDISE CALLS For Week Ending 4-22

Material	Style Tendency	Color	5.00	6.00	7.00	9.75	Miscellaneous	Total
CALF	OXFORDS mil - III flat heel - III Cuban - I Spill strap - low heel - I Turn sole - I round toe - II rubber sole - I	Brown	II				IIII I	
		Tan				I	II	
		Black	I	II		I	II	
CANVAS		white			I		IIII III	8
KID								
SPORT								7
SUEDE								

COMPARISON OFFICE
HIGH SPOTS IN MERCHANDISE CALLS
WEEK ENDING MAY 20, 1922

DEPARTMENT	COLOR AND MATERIAL	PRICE	NUMBER OF CALLS	BUYERS' COMMENTS
100	16 Button Grey Kid	-----	6	have grey suede
	12 Button " "		9	have grey suede
	8 Button Grey suede	3.85	6	have 12 button

103	12 Button white silk	1.25	20	have at 1.50
105	16 Button yellow chamoisette	2.00	4	in stock May 21 -
	Sand novelty chamoisette	1.50	8	have at 1.75
120	12 Button pearl grey "	1.75	2	have one shade
	Flesh with blk dot	.45	14	in stock
	Mourning veils with snap	1.50	4	on order
	Brown shetland veil	1.50	4	in stock
125	Peggy beads	.50	12	on order
	Abalone rings	1.00 up	5	"
	Childrens rosary beads	-----	7	looking up

(System)

FIG. 52.—Method used for recording want slips.

found in another section of the store. Merchandise managers keep books with a sheet for each department on which all wants for that department for a week or a month are recorded. By looking in these books it is possible to tell how spring suits of different materials are beginning to be sought; how one department found and filled a shortage in a certain size and brand of hosiery; while another foresaw the return of a style that had not been "good" for several years and built up its stock accordingly.

A want-slip system requires the following:

1. Merchandise managers must be thoroughly in sympathy with the plan and must work with buyers until they cooperate willingly.

2. Merchandise managers must follow up wants closely with buyers.

3. The want slip must be as simple as possible for the accomplishment of the purpose.

4. Each salesperson must be required to hand in a slip daily. "No Wants" may be written if there is nothing to report.

5. A daily record and monthly summary of number of wants handed in by each salesperson, filed in superintendent's office or educational department, and followed up.

6. Personal commendation when deserved.

Comparison Shopping.—It seems generally decided that an efficient centralized shopping department is essential for merchandising effectiveness. The object is to keep the store informed of all activities in competing stores. Advertisements are scanned daily for notices of special sales, prices, qualities, etc. The state of business is ascertained in each competing store. Window displays are carefully watched. Interior arrangements and layout are scrutinized.

The importance of the comparison department varies with the policy of the individual store. In some cases it is responsible directly to the operating head of the store while in other cases the head shopper reports to the merchandise manager.

Figure 53 shows a typical merchandise shopper's report on an article in a competing store. Large sums of money are frequently required by shoppers for such purchases. Frequently articles bought by shoppers are sent to manufacturers to be copied. Articles may also be put in stock and sold.

Figure 54 shows a form used by service shoppers. While such work is sometimes conducted separately, it is best performed as a by-product of the merchandise shopping.

The basis of comparison both of merchandise and service is from the viewpoint of the customer. It is desired to find out the factors in competing stores which would induce the customer to go there. As prices and merchandise are so well standardized, the service often may be the decisive drawing factor.

One large eastern store shops from four angles:

1. Intrinsic Value. It is the fundamental *principle* of the business not to be undersold. Consequently a great deal of time is spent by the comparison office shopping for the intrinsic value of their merchandise as compared with competitors', the purpose being to insure that they are giving, dollar for dollar, just as much quality and quantity as competitors.

2. Price. Price competition is recognized by the public more easily than intrinsic value. A customer is impressed more by

Merchandise Shopper's List

Date Shopped .....

To..... ....

....**Dept.**

Article	Competitive Store	Table, Booth or Dept.	Advertised or Not.	Time.	Busy or Not.	Regular or Special

Remarks:

Our Comparison:

If Competitive Merchandise was advertised, was ours reduced for the day?

....

Shopper No......

FIG. 53—Merchandise shopper's report on article compared with competing store.

the fact that one of their competitors is featuring a line of suits at $25, as compared with their cheapest at $35, than by the fact that certain details of workmanship make the $35 suit a better value than the competitor's at $25. Therefore, they believe it is very important to carry merchandise at as least as low a price as their chief competitors.

3. Selection. Unless the store offers as large a selection at a price as its competitors, it will not be able to suit so large a proportion of the buying public, at this price, as a store with a wider selection, and consequently will lose business. There-

SERVICE SHOPPER'S REPORT

Date..... Day..... Hour..... Salesperson's Number.....

Did salcsperson have book and pencil ready, without searching for them?	
Did shc call back to you the amount of money you gave her?	
Did shc count out your change to you?	
Did she show you your name and address on sales check or call it back to you?	
If package was delivered to you unwrapped, what precaution did she take?	
How long did you wait for your package?	
If delayed, due to what?	

Please rate, by chcck in the proper column, the qualities of the salesperson:

	Good	Fair	Poor
Appearance			
Approach			
Manner			
Knowledge of Mdsc.			
Selection of Mdse. shown			
Substitution			
Suggestive selling			

If you visited the department again, would you want this clerk to wait on you?

REMARKS:

Shopper No... .....

FIG. 54.—Service shopper's report on salespersons of competing store.

fore, it is essential to carry as complete a stock at a price as is to be found in competitors' stores.

4. Style. It is a policy of this store to be the first to feature new style and novelty merchandise. Considerable pressure is exerted in the comparison office to see that this policy is lived up to.

For service shopping this store uses different types of women so that different points of view may be obtained. Service shoppers are changed every six or eight weeks so that they may not become known.

The following rating schedule is used by service shoppers:

10 points...	Appearance..	Physical appearance, neatness and appropriateness of dress.
10 points...	Approach....	Courtesy and alertness of approach.
15 points...	Interest.....	In job, customer, merchandise.
15 points...	Knowledge...	Location of stock, technical points about merchandise, quality of material, color, durability, etc.
50 points...	Force.....	Salesmanship, ability to create desire to buy.

CHAPTER XXIV

MERCHANDISE CONTROL

The successful store today is the one which has adopted and maintains standards of procedure in buying and selling. Such standards can be obtained only through coordination of effort and the elimination of energy wasted through inefficient methods. The operating supervision must emanate from a central source according to a carefully prearranged schedule, called the merchandising plan.

Hundreds of stores leave the merchandising of various departments to the individual buyer, exercising little or no supervision over his or her operations as long as the figures on the profit side of the ledger are favorable. Others have merchandise managers in name only. When a case of misjudgment occurs and the department shows a loss, either a new buyer is secured, or one of the store heads gives active attention to the department.

Merchandising control means the definite outlining of a merchandise plan before the beginning of the season. This plan provides for conservative stock levels, speeds up turnover, and keeps merchandise constantly new and fresh. The initiative of the buyer is not restricted inflexibly; it is merely directed along the lines on which the whole store is working.

The criticism that merchandising is largely post-mortem and not preventive, that it hampers the proper functioning of a department buyer and restricts his ingenuity and ability to the detriment of department profits, may sometimes be merited. But where a conservative merchandise plan is in operation along prudent lines, it will result in increased sales with larger profit. Those stores which in recent years have been most consistently successful have mainly exercised merchandise control.

The merchandise plan may be divided into analysis, planning and control.

Merchandise Analysis.—The first essential in the formation of the merchandising plan is to classify the various merchandise groups and physically to separate them in their accounting so that an individual record may be kept of purchases, sales, stocks, mark-ups and mark-downs. This is specialization and will facilitate the making of clearer analyses.

Report No. 50 A					
	19	19	19	19	19
Retail stock 1st period					
Per cent mark-up					
Retail purchases					
Per cent mark-up					
Mark-downs and stock diff.					
Per cent to sales					
Retail stock end period					
Per cent mark-up					
Sales					
Per cent increase					
Gross profit					
Per cent to sales					
Expense					
Per cent to sales					
Merchandise profit or loss					
Per cent to sales					
Stockturn					

FIG. 55.—Periodical merchandise report.

Table IV shows the standard method of merchandise classification adopted by the Controllers' Congress of the National Retail Dry Goods Association. From the basic group of eight departments for the small dry goods store, it is expanded to the fourth group of 122 departments for the large store. Standardized merchandise classification is a necessary preliminary to any comparison of departmental operations.

A periodical merchandise report gives comparisons with

TABLE IV.—CLASSIFICATION OF MERCHANDISE

Group I 8 Departments	Group II 34 Departments	Group III 58 Departments	Group IV 122 Departments
Dry Goods	Silks	Silks Velvets	Colored Silks Black silks Velvets
	Dress Goods	Woolen Dress Goods Wash Dress Goods	Black Dress Goods Colored Dress Goods Patterns Linings White Wash Goods Colored Wash Goods
	Linens and Domestics	Linens Domestics	Linens Cottons and Sheetings Blankets and Comforts
	Laces, Trimmings and Embroideries	Laces, Trimmings and Embroideries	Laces Trimmings Embroideries
	Neckwear and Veilings	Neckwear and Veilings	Neckwear Veilings
	Ribbons	Ribbons	Ribbons
Small Wares	Notions	Notions	Notions
	Toilet Articles Handkerchiefs	Toilet Articles and Drugs Handkerchiefs	Toilet Articles Ivory, Drugs Handkerchiefs
	Silverware and Jewelry	Silverware and Jewelry	Silverware Jewelry
	Leather	Leather Goods Umbrellas, Parasols Canes	Leather Goods Umbrellas, Parasols Canes
	Art Needlework and Art Goods	Art Needlework and Art Goods	Art Needlework Art Goods
Men's and Boys' Wear	Men's Clothing	Men's Clothing	Men's Clothing
	Men's Furnishings	Men's Furnishings Men's Hats and Caps	Robes and Smoking Jackets Men's Furnishings Men's Hats and Caps
	Boys' Wear	Boys' Clothing Boys' Furnishings	Boys' Clothing Boys' Furnishings Boys' Hats and Caps

TABLE IV.—CLASSIFICATION OF MERCHANDISE

Group I 8 Departments	Group II 34 Departments	Group III 58 Departments	Group IV 122 Departments
Women's and Misses' Ready-to-wear	Coats, Suits and Skirts	Coats Suits Skirts	Women's Coats Do Suits Do Skirts Do Dresses Do Stouts
	Dresses	Dresses Misses' Wear	Misses' Coats Do Suits Do Skirts Do Dresses
	Furs	Furs Fur Storage	Furs Fur Storage
	Juniors' and Girls'	Juniors' and Girls'	Juniors' and Girls': Coats Suits Skirts Dresses
	Waists, Sweaters and Knit Goods	Waists and Blouses Sweaters and Knit Goods	Waists and Blouses Sweaters and Knit Goods Sports Wear
Women's Ready-to-wear Accessories	Millinery	Millinery	Millinery
	Gloves	Gloves	Ladies' Gloves Children's Gloves
	Corsets, Hosiery, Knit Underwear, Muslin Underwear, and Infants' Wear	Corsets and Brassieres Hosiery Knit Underwear Muslin Underwear Infants' Wear	Corsets and Brassieres Ladies' Hosiery Children's Hosiery Knit Underwear Muslin Underwear Bathing Suits Infants' Wear
	Petticoats, Negligees and House Dresses	Petticoats, Negligees and House Dresses	Petticoats Negligees Aprons and House Dresses

TABLE IV.—CLASSIFICATION OF MERCHANDISE

Group I 8 Departments	Group II 34 Departments	Group III 58 Departments	Group IV 122 Departments
Shoes	Women's and Children's Shoes	Women's Shoes Children's Shoes	Women's Shoes Children's Shoes
	Men's and Boys' Shoes	Men's and Boys' Shoes	Men's Shoes Boys' Shoes
			Shoe Shine Repairs
Home Furnishings	Furniture, Beds, etc.	Furniture, Beds, etc.	Furniture Beds, Mattresses and Springs
	Floor Coverings	Rugs Carpets, Linoleums and Mattings	Oriental Rugs Domestic Rugs Carpets Linoleums and Mattings
	Draperies and Lamps	Draperies and Lamps	Draperies Lamps Shades Art Wares Decorating Wall Paper
	China and Glassware	China and Glassware	China and Glassware
	House Furnishings	House Furnishings	House Furnishings Pictures and Picture Framing Sewing Machines Electrical Equipment
Miscellaneous	Toys and Luggage	Toys and Sporting Goods Luggage	Toys Sporting Goods Camera Supplies Luggage Automobile Supplies
	Books and Stationery	Books and Stationery	Books and Magazines Stationery

TABLE IV.—CLASSIFICATION OF MERCHANDISE

Group I 8 Departments	Group II 34 Departments	Group III 58 Departments	Group IV 122 Departments
	Talking Machines	Talking Machines, etc.	Talking Machines Records and Rolls Pianos and Piano Players Sheet Music
Miscellaneous			Washing Machines Vacuum Cleaners Optician and Optical Goods
		Candy	Candy Soda Fountain
		Restaurant	Restaurant
Basement Store		Ready-to-wear	Coats Suits Skirts Dresses Waists
		Ready-to-wear Accessories	Corsets Hosiery Knit Underwear Muslin Underwear
			Children's
		Millinery	Millinery
			Small Wares Piece Goods
		Shoes	Shoes
			Draperies

corresponding periods of preceding years and shows purchases, sales, stocks, orders, profits, expenses, turnover, etc. See Fig. 55. This report is made as often as may be deemed necessary by the merchandise department from departmental figures. Copies are given to executives and buyers. From such a report many facts are revealed which will form a basis of control over future activities. Such a report gives a picture of what has actually happened in a department.

In many ready-to-wear sections and other departments carrying large items of merchandise, price sales records are kept. These show the number of pieces sold at each price according to stock divisions. These records are summarized at the end of the month and season, compared with previous seasons' records, and used as one of the bases for future plans. See Fig. 56.

A perpetual book inventory record is also kept in some departments, showing by merchandise divisions, manufacturers' and style numbers, purchases, sales, and unsold stock. This serves a useful purpose for re-orders of quick-selling items, for action on slow-selling items, for an actual inventory check, and for a record of profitableness to the store of any particular manufacturer's line.

Merchandise Planning.—The object of planning is to have the right goods at the right time at the right prices—a complete stock at as low prices as are warranted by competition, the quality of the merchandise, and the service rendered.

All plans should be made in writing prior to the start of the year or season. They should be made with the cooperation of the merchandise managers and buyers and should precede all purchases. Plans should combine good judgment with analysis and vision of undeveloped possibilities. In one store plans are made out three months in advance so that the controller may have ample notice of financial requirements. He decides whether the investment in stock is right for the amount of business to be done, and whether expense is in proportion to the rest of the planning.

Plans for a future period should allow for an increase over the entire period, distributed by months. The same percentage of increase may not necessarily be allowed for every month.

Form 214A 120 2m 8-19

Section 85 Sales Misses Wool Suits Month March 1920

PRICE	LIABILITIES 1st of Mo. and Pch.	1	2	3	4	5	6	8	9	10	11	12	13	15	16	17	18	19	20	22	23	24	25	26	27	29	30	TOTAL QUANTITY	TOTAL AMOUNT	LAST YEAR
	Stock on floor																													
39.00	10		2	1		1		5		⓪3	⓪	1		1		⓪2		4		4		2		1	③5-	5	1	1 34	1326	
55.00	20	1	1	1	1		2				2		1	①1	1	2	1	2	2	1	2	⓪3	1	1	①6	2	5	1 35-	1925	
65.	10		1		1		1	1	1	1	2	-2		1		2	1	1	4	1	2	1		1	①5-	3	1	1 25-	1625	
69	43		①	3	1	③	2	1		1		⓪	4		2	1		1	3		2	1	1	1	4	2	2	2 27	1863	
75	21		1	1	2	1	3	1	1	⓪2	1		2		1		1		2		1	1			2	1		1 24	1800	
79	16	2		2		1		3	1	1		①2	4	1		1			3		1		⓪2		2		1	23	1817	
85	3		2		4	1	4	⓪	2		1		3		1		2		3	1	1	1		2	4		1	1 31	2635	
above	62	4	2		1		3	3	1		2		⓪4	2		1		1	①2	2	2	1	1	2	3	2	1	2 40	3985	
																					Total -							239pcs	#16976	

Black ink figures indicate sales
Red ink (ringed) figures indicate credits

Monthly summaries are made from these cards

Form A 2

FIG. 56.—Price sales records.

One excellently managed store finds it advisable to allow 10 per cent increase each year to provide for adequate payroll, upkeep and other store standards. The stock must at all times be large enough for a model stock but small enough to insure as frequent a turn as possible.

Plans for mark-down may be distributed by months, allowing a greater percentage for clearance periods. Retail losses may be included in the mark-down figure.

Figure 57 shows the six-months' planning form of a large specialty store. The merchandise manager of the store says in regard to the planning policy:

In setting the figures we take into account the increase which the department has been scoring during the half year in which the plans are being made as affording some clue to what may reasonably be looked forward to in the months to come. In some cases if we feel that a department has not scored a reasonable business we may arbitrarily say that we ought to do more in that particular line of merchandise. Any contemplated change in space, etc., is taken into account.

The following general factors must be borne in mind in making out plans:

a. Last year's experience.
b. Recent years' experience.
c. Experience of preceding months this year.
d. Market prospects.
e. Upward or downward trend of prices.
f. Change in space occupied by department.
g. Further specialization.
h. Position of holidays in period.

Departmental figures are prepared for the subdivisions of a department, where such exist, rather than for the department as a whole. For instance, the figures will be made out for lisle hosiery, silk hosiery and children's hosiery, rather than for the hosiery department.

The mark-up, sales, mark-downs and stock figures are guided by past figures. The greatest allowance will be made for mark-downs in the month in which previous experience has shown mark-downs to be heaviest, and the ratio to sales will be based upon past experience, although, of course, we may plan upon improvement.

Final plans for the department are made on Fig. 58. The months are designated according to whether the plan is for the first or second

SA15

Period March to August 1922 Inc. Dept. SILK HOSIERY No. CC

MONTH	Sept. / Mar.	Oct. / Apr.	Nov. / May	Dec. / June	Jan. / July	Feb. / Aug.	Mar. / Sept.	Total
Ret. Stock 1st of Month								
Last	196,883							
PLAN	150,000							
% Mark-up on Stock	34.3							
Last	33.00							
PLAN								
Retail Purchases								
Last	30,022							
PLAN	30,400							
Initial Mark-up								
Last	29.6							
PLAN	30							
Sales								
Last	28,120							
PLAN	30,000							
Mark-downs								
Last	1,108							
PLAN	400							
Expense								
Last	6,989							
%	24.9							
PLAN	9,353							
%	31.2							

To buyer: Please be sure to show plan first of month stock for seven months.

PROPOSED RESOURCES

(Order of Importance)

	NAME	TERMS
1	Emery Beers and Co.	8—10
2	Marshall Field and Co.	
3	Etc.	
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

FULL LINE PRICES

Below	$1.65
Cheapest Full	2.00
Between	2.25
Best Selling	2.50
Between	2.65
Highest Full Line	3.00
Above	3.50—8.50

FIG. 57.—Six-months' planning form.

Silk Hosiery Department Months March to August 1922 Inc.

	March			*April*			*May*		
	COST	RETAIL	Per Cent	COST	RETAIL	Per Cent	COST	RETAIL	Per Cent
Stock 1st Period...	100,500	150,000	33.0	100,500	150,000	33.0	97,150	145,000	33
Purchases.....	21,280	30,400	30	26,180	37,400	30	30,450	43,500	30
Sales.....	21,280	30,000	26.5	29,530	42,000	21.7	30,450	43,000	19
Mark-downs.....		400	1.3		400	1.0		500	1.2
Stock end period...	100,500	150,000	33.0	97,150	145,000	33	97,150	145,000	33
Gross profit.....		8,720	29.1		12,470	29.7		12,550	29.2
Expense.....		9,353	31.2		10,888	25.9		11,804	27.5
Mdse. Profit...		−633	−2 1		1,582	3.8		746	1.7

	June			*July*			*August*		
	COST	RETAIL	Per Cent	COST	RETAIL	Per Cent	COST	RETAIL	Per Cent
Stock 1st Period..									
Purchases.....									
Sales.....									
Mark-downs.....									
Stock end period...									
Gross profit.....									
Expense.....									
Mdse Profit...									

	Third Quarter			*Fourth Quarter*			*Second Half Year*		
	COST	RETAIL	Per Cent	COST	RETAIL	Per Cent	COST	RETAIL	Per Cent
Stock 1st Period...									
Purchases.....									
Sales.....									
Mark-downs.....									
Stock end period...									
Gross profit.....									
Expense.....									
Mdse. Profit...									

FIG. 58.—Merchandise planning form.

half of the year, the bottom spaces being used for the quarter and half-year summaries as indicated.

Having determined our plans the figure for the volume of purchases becomes the buyer's guide for his market purchasing for the six months to come.

On the fifteenth day of the month the Open-to-Buy figure is determined in the following manner: stock on hand is reported every other day by the Controller's division. From this figure is subtracted the difference between the volume of sales already secured and the volume planned for the month. If the stock on hand minus anticipated sales for the balance of the month is less than the stock allowed for the end of the month, the department is open to buy. If the stock on hand minus anticipated sales is more than the stock allowed for the end of the month, the department cannot buy without special arrangements.

The open-to-buy figure may be amended by increase or decrease if the sales during the first ten days of a month make it obvious that the planned sales for the month are either too high or too low; likewise if an increase of 20 per cent was planned for, and a department for two or three months either makes no increase or an increase of 40 per cent, the planned sales are revised, not only for the current month, but for the months ahead.

Model Stock Plans.—A model stock plan should be made for each department subject to modification by conditions of trade, market, etc. This plan should be based on the buyer's judgment as to the number of pieces required to make a complete model stock, always keeping in mind his customers' needs. There is a fundamental minimum requirement for completeness of assortment. This is basic. Over and above this basic requirement is the excess, due to the increased needs of the people and the store. Past performance is an indicator. Market tendencies govern prices. In making a model plan by prices and pieces under each merchandise subclassification and establishing a minimum base the guide should be:

1. Such increases as past performances indicate are necessary.
2. Market conditions.
3. Vision of increased needs of public and store.

Model stock plans should cover periods of calendar months except in those departments where neither the amount nor

the character of the stock investment changes greatly during a season, such as in staple departments.

Form 1013-Revised

REVISED
MERCHANDISE PLAN

Section 85

Period From February 1st 1920 To August 1st 1920

RETAIL STOCK: RETAIL

On Hand at Beginning of Period 60,000 — Maximum Stock 95,000

Desired at End of Period 45,000 — Minimum Stock 49,000

Stock Should Turn 3 1/2 Times within this period

Initial Mark-Up Required 37 % Mark-Downs Allowed 10.3 % Gross Earning Expected 30.5 %

MONTH	Feb. / Aug.	Mar. / Sept.	April / Oct.	May / Nov.	June / Dec.	July / Jan.		Turnover
Retail Stock 1st Month							Average Stock	
Last Year	46,137	51,536	57,663	59,664	61,820	66,532	57,224	2.96
Plan	60,000	95,000	94,000	63,000	65,000	49,000	71,000	3.22
Result								
Retail Purchases:							Totals	
Last Year	31,377	49579	41,730	24754	31,362	30,707	209,509	
Plan	65,000	57,500	24,000	36,000	20,000	32,500	235,000	
Result								
Sales								Increase 35%
Last Year	20,629	42,732	38,702	22,165	26,207	18,990	169,425	
Plan	24,000	57,000	54,000	33,000	35,000	26,000	229,000	
Result								
Mark-Downs:								To Sales 9.17%
Last Year	5,348	721	1,037	424	443	8,655	16,628	
Plan	6,000	1,500	1,000	1,000	1,000	10,500	21,000	
Result								

Remarks: Stock reduction required because of unsatisfactory turnover.

Signed Buyer (Buyer) — Approved Merchandise Manager (Merchandise Manager)

Approved Controller (Controller) — Reviewed General Manager (General Manager)

FIG. 59.—Revised merchandise plan.

A model stock summary plan is compiled from the individual departmental model stock plans. This is a financial summary of the stocks planned for the various departments.

From the model stock plans a six-months' merchandise or financial plan (see Fig. 59) may be made by a series of

summaries of the model stocks and completed by the standardizing of the department's initial mark-up, mark-down, and required net mark-up.

When these plans have been completed, the next step is to see that they are properly carried out. Provisions should be made for their checking, which is commonly done either through the merchandise office or by the buyer and his assistants by entering in spaces provided on the forms actual purchases, sales, stocks, and mark-downs each month.

Merchandise Control.—There are five principal points of contact through which a merchandise control system may be effected, viz.:

a. Planning control.
b. Purchase control.
c. Sales control.
d. Stock control.
e. Profit control.

Planning Control.—As already indicated, plans are controlled through joint action of the merchandise office and the buyers.

Purchase Control.—The purchase plan should be made from the Open-to-Buy analysis which takes into account the stock on hand and unfilled orders. It also shows planned sales and stock planned at end of season, and is usually made up for the quantities to be filled in at each price in each subdivision of the merchandise. See Fig. 59.

Table V shows a form which has been used successfully by a number of retail stores. On the purchase control record in the column where it says "balance" is credited the purchase allotment, which in this case is $16,770 for a period of 6 months. Each order is charged against this amount, giving the order number and amount, deducting it to show the balance and then the amount of each order is entered in the "unshipped order column" and the invoices are credited as they come in. This shows at all times the amount of unshipped orders.

On the right-hand side of the record the allotment by months should be carried, if desired.

When once the purchasing limit has been set it is not

Table V.—Purchase-control Record

Section 2.—Season Fall, 1922

Date	Vendor	Order No.	Purchase control			Unshipped order			Allotment by months					
			Debits	Credits	Balance	Date	Amount invoice	Balance	July	Aug.	Sept.	Oct.	Nov.	Dec.
					16,770	.....	.....	21,838	2,000	3,000	4,000	4,000	3,000	770
12/5/18	Smith Knitting Company....	5,408	529	.....	16,241	5/24	173	21,665	.....	2,471	.....	.....	.....	.....
1/27/19	Smith Knitting Company....	5,409	439	.....	15,802	6/5	639	21,026	.....	.....	3,561	.....	.....	.....
1/27	Smith Knitting Company....	5,410	130	.....	15,672	6/5	240	20,786	.....	.....	3,431	.....	.....	.....
4/24	Jones Knitting Company.....	352	492	.....	15,180	.....	.....	20,956	.....	.....	2,939	.....	.....	.....
4/24	Jones Knitting Company.....	353	64	.....	15,116	.....	.....	21,806	.....	2,407	.....	.....	.....	.....
3/18	J. D. Brown and Company...	5,434	160	.....	14,956	6/19	231	21,575	.....	.....	2,779	.....	.....	.....
4/24	Belleville Knitting Company.	351	534	.....	14,422	.....	.....	21,652	.....	.....	2,245	.....	.....	.....
5/3	Smith Knitting Company....	6,040	394	.....	14,028	.....	928	22,580	.....	.....	.....	3,606	.....	.....
5/3	Smith Knitting Company....	6,029	430	.....	13,598	6/23	377	22,203	.....	1,977	.....	.....	.....	.....
5/9	Milford Knitting Company...	361	210	.....	13,338	6/19	531	21,672	.....	.....	2,035	.....	.....	.....
5/13	William Johnson.....	364	788	.....	12,620	6/19	63	21,609	.....	1,209	.....	.....	.....	.....
5/13	John Dean.....	365	246	.....	12,374	5/22	42	21,567	1,754	.....	.....	.....	.....	.....
5/13	Johns, Levy, Mills.....	367	484	.....	11,890	.....	.....	21,593	.....	.....	.....	3,122	.....	.....
5/16	George Evans.....	368	174	.....	11,716	6/27	26	21,567	1,580	.....	.....	.....	.....	.....
5/16	George Evans.....	369	340	.....	11,376	6/23	195	21,372	.....	869	.....	.....	.....	.....

ordinarily the custom of the store to interfere with the purchases of the department buyer. Individual policies vary. In one store of moderate size a buying limit is set strictly in accordance with sales of the corresponding season of the previous year. Of this amount set aside as a limit from 60 to 80 per cent is appropriated for the purchase of advance

Buying Limit for Dept. No. 28

FALL 1920

Mark-up Expected	40 per cent	1919 Actual Mark-up	34½
Turn Made	3.2	1919 Average Stock	$ 35,000
		Total Sales	$172,000

Fall 1919

Purchases	6/30 to 1/1	$52,600
Sales	6/30 to 1/1	$90,900

Your buying limit placed for Fall 1920 is			$50,000
	60 Per cent Advanced		$30,000
Per Cent Figured	40	Placed	$ 4,500
		Open to buy	$25,500

Sales were made last year as follows:

	Per Cent
July	14
August	15
September	15
October	16
November	20
December	19

And every effort should be made to have shipments arrive accordingly

FIG. 60.—Report made to buyers.

merchandise prior to the actual opening of the season. After the opening of the season the buyer is credited weekly with the wholesale cost of his increase in planned sales as an additional buying credit, which additional credit is added to the balance of his limit as shown at that date. Decreases in sales are handled in the reverse manner.

At the end of each week the buyers receive a slip (see Fig. 60) showing the sales, purchases, stock on hand and back orders, as well as the corresponding figures for the year previous.

A large store on the Pacific Coast has a very interesting purchase-control system, which is described by the head of the firm as follows:

Purchasing limits are usually arranged for a 6-months' period, and are also based on the class of merchandise carried in the different departments. In some departments it is necessary to anticipate further than in others. In staple departments like knit underwear, hosiery, china, and shoes, it is possible to anticipate from 6 to 8 months in advance, while in such departments as millinery and wearing apparel, there would be no anticipated purchases, as this merchandise would be planned from "hand to mouth."

All orders placed are confirmed either by our New York office, when buyers are in the eastern markets, or by the merchandise manager when the purchases are made at home. All local orders amounting to more than $100 are confirmed by the merchandise manager. Orders amounting to less than $100 may be placed without having the orders confirmed. However, we request written copies to be made of all orders, regardless of how large or small the amount may be, and these orders should be on file in our receiving room before the invoices for the merchandise are received.

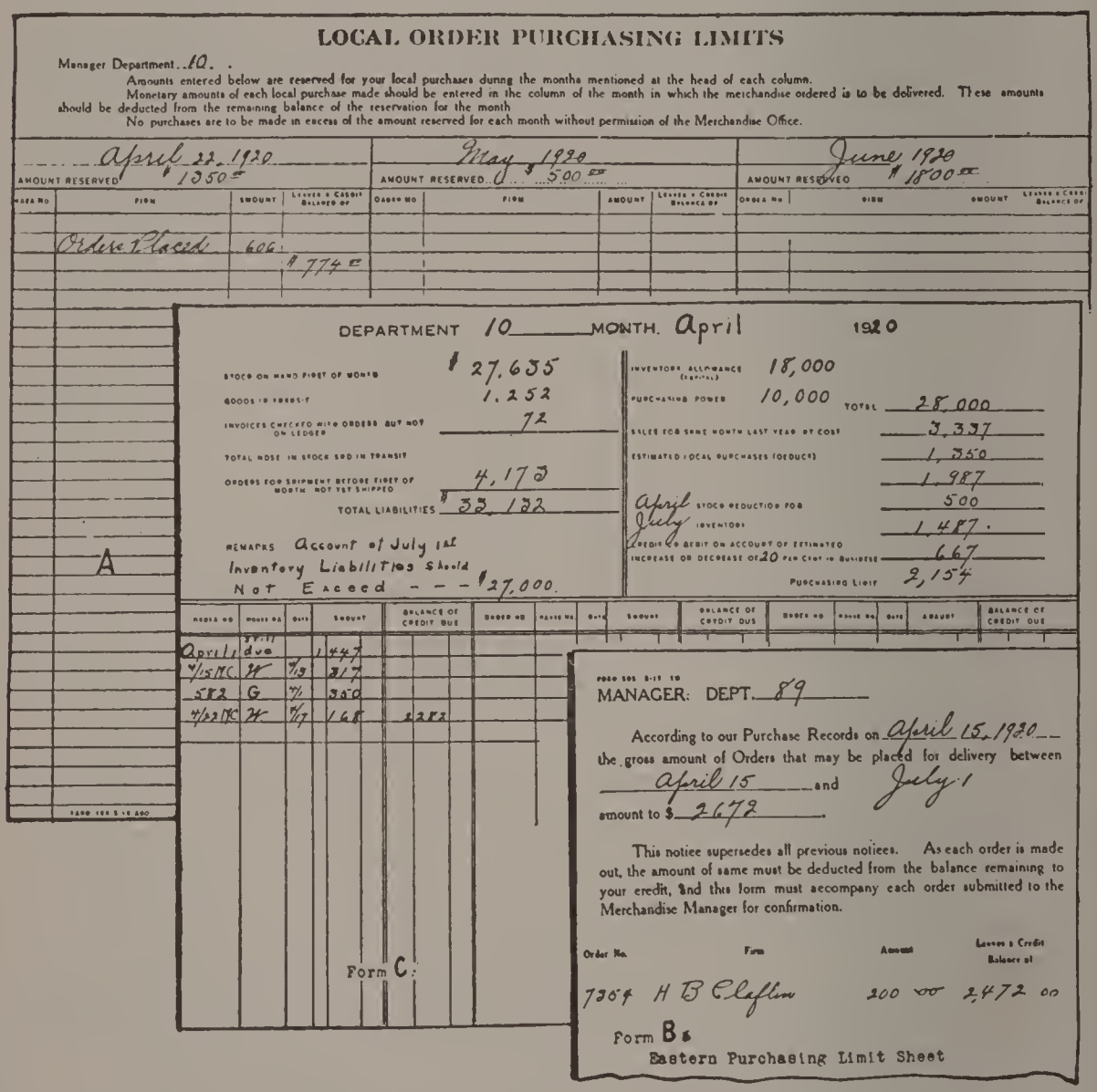
Each department manager is furnished once a month with a purchasing limit sheet showing the balance, or the amount, his department may be over-bought for the 6-months' period. On our local limits a sheet is furnished every three months showing the amount reserved, and also the amount of merchandise booked up to that particular time for delivery during the period which the limits are intended for.

Figure 61 A shows the local purchasing limit sheet. Figure 61 B illustrates the eastern purchasing sheet. A record control card, Figure 61 C, shows individual orders and allotments for each department monthly.

Sales Control.—A daily departmental sales report should be given the buyer for comparison with past performance and plans. By preparing it each night the buyer is enabled to have daily gross sales available each morning. The want slip system described in the previous chapter comes into use at this

moment. The shopping comparison bureau and research department contribute towards sales control.

Stock Control.—If planning, purchases, and sales have been properly controlled, stock control is automatically effected. If the "keeping up" of staple articles, the re-ordering of "quick sellers," and the forcing out of "slow sellers" are to be carried on, the number of methods which can be used is


LOCAL ORDER PURCHASING LIMITS

Manager Department 10.

Amounts entered below are reserved for your local purchases during the months mentioned at the head of each column.
Monetary amounts of each local purchase made should be entered in the column of the month in which the merchandise ordered is to be delivered. These amounts should be deducted from the remaining balance of the reservation for the month
No purchases are to be made in excess of the amount reserved for each month without permission of the Merchandise Office.

April 22, 1920 — AMOUNT RESERVED $1350.00
May 1920 — AMOUNT RESERVED $500.00
June 1920 — AMOUNT RESERVED $1800.00

Orders Placed 606 $774.00

DEPARTMENT 10 MONTH. April 1920

STOCK ON HAND FIRST OF MONTH	$27,635
GOODS IN TRANSIT	1,252
INVOICES CHECKED WITH ORDERS BUT NOT ON LEDGER	72
TOTAL NOSE IN STOCK AND IN TRANSIT	
ORDERS FOR SHIPMENT BEFORE FIRST OF MONTH NOT YET SHIPPED	4,173
TOTAL LIABILITIES	$32,132

INVENTORY ALLOWANCE (CAPITAL)	18,000
PURCHASING POWER	10,000
TOTAL	28,000
SALES FOR SAME MONTH LAST YEAR BY COST	3,337
ESTIMATED LOCAL PURCHASES (DEDUCT)	1,350
	1,987
April STOCK REDUCTION FOR	500
July INVENTORY	1,487
CREDIT OR DEBIT ON ACCOUNT OF ESTIMATED INCREASE OR DECREASE OF 20 PER CENT IN BUSINESS	667
PURCHASING LIMIT	2,154

REMARKS Account of July 1st Inventory Liabilities Should Not Exceed - - - $27,000.

A

ORDER NO.	HOUSE NO.	DATE	AMOUNT	BALANCE OF CREDIT DUE
April 1			due	1447
4/15 NC	H	4/9		317
582	G	4/1		350
4/22 NC	H	4/7		1465 2282

Form C.

MANAGER: DEPT. 89

According to our Purchase Records on April 15, 1920 the gross amount of Orders that may be placed for delivery between April 15 and July 1 amount to $ 2672.

This notice supersedes all previous notices. As each order is made out, the amount of same must be deducted from the balance remaining to your credit, and this form must accompany each order submitted to the Merchandise Manager for confirmation.

Order No.	Firm	Amount	Leaves a Credit Balance of
7304	H B Claflin	200 00	2,472 00

Form B.
Eastern Purchasing Limit Sheet

FIG. 61.—Purchasing limit sheets.

almost unlimited, depending entirely upon the nature of the merchandise and the aggressiveness of the organization.

In ready-to-wear merchandise departments, the organization of the selling force into stock divisions with the responsibility of continually inventorying their stocks and reporting shortages will prevent lost sales through incomplete stock. There are many plans for the display of "tell-tales" or signals when stock is low.

A standardization of staple and commonly wanted merchandise in all sections should be made and stocks frequently checked.

A standardization and definition of "old" merchandise should also be made and limit of time in stock placed upon it. It should be listed, back-listed, and re-listed periodically until action forces it out. At inventory periods a policy should be determined upon as to the method of treatment of old merchandise to get it out of stock.

William Filene's Sons Company has an interesting stock control system, which has proved very satisfactory in practice. A visible card index is kept. A complete record of all merchandise by retail price, cost, manufacture and style is entered. Each style number is placed on a separate card containing all data—the number received, on order, the number sold, marked down, credits, returns, all by quantities and dates, and the daily balance on hand of each style.

Various summaries are made for the division managers and buyers. A recapitulation, for example, is drawn off daily of the stock on hand and on order, and the present and comparative sales for the current month. The buying organization is advised on fast-selling numbers as to quantities on hand and on order, and sales over a period. The facts on slow-selling merchandise are submitted also, with regard to its age, its record while on sale, etc., so that any necessary losses may be taken promptly. Reports are also issued on the amount of old merchandise in stock and the percentage of that old merchandise to the total stock.

The object of the stock-control system is to give division managers and buyers the exact status of their stocks so that they can plan their buying operations logically. This policy will naturally result in increased profits and merchandise turnover and prevent, in so far as possible, injudicious investment of the stock allowance.

The following detailed information is available from the perpetual stock inventory used:

1. Make, style, cost, retail, size range, manufacturer, when first ordered, first received and put on sale of every piece of merchandise coming into stock.

2. Stock on hand.
3. Stock on order and when ordered.
4. Pieces sold according to size, etc.
5. Pieces exchanged or credited according to size, etc.
6. Best selling sizes.
7. Service of manufacturer shown in deliveries.
8. The beginning of the decline of the popularity of any garment.
9. Increases or decreases in cost, retail, or both.
10. If business is being done largely on a very few items, balance of stock may be manipulated.

Profit Control.—The standard initial mark-up should appear on the departmental financial plan. This mark-up is based on cost at regular terms, plus operating expense and a fair margin of profit, determined by the selling power of the merchandise and local competition.

The buyer, by placing the determined retail selling price on the duplicate of the order, affords the merchandise office a check on the initial mark-up, and by having the percentage of mark-up figured on the manufacturer's invoice when the merchandise manager approves it for payment, a re-check is provided.

CHAPTER XXV

BUYING

Buying as carried on today, like so many other store activities, is the result of gradual evolution. The previous chapter dealt with methods of control; this chapter deals with buying channels and with the men and women who do the buying and handle the merchandise prior to its sale, together with the buying policies involved.

BUYING CHANNELS

While the large store buys direct from manufacturers, small stores must either buy of the jobber or band together for mutual buying advantages. The retail store, therefore, may buy in the following channels.

1. Direct from manufacturer.
2. Through middlemen.
3. Through cooperative associations.
4. Through buying exchanges.
5. Through resident buying offices.

Manufacturer.—Buying from manufacturers direct saves middlemen's discounts. In the case of the large department or specialty store it is generally the fact that quantity purchases direct can be secured at the same prices quoted to jobbers. A certain specified minimum purchase is usually required. Small accounts are not taken but are referred to jobbers.

Middlemen.—The small dry goods store in the small town cannot get along without the jobber and in certain cities even the larger stores find it better to deal with the jobber than buy in larger quantities from the manufacturers. The merchandise is bought in small lots and in great variety and the only method of carrying a stock sufficiently wide to meet the demand is by buying through jobbers. Jobbers' salesmen ordi-

narily visit the smaller stores with samples of stock, while the buyers of the larger stores go direct to the source of supply.

Cooperative Buying Associations.—The advantage to be secured in the way of lower prices through cooperative buying is self-evident. There are, however, a great many difficulties in the way of a successful buying association.

The success of a plan of this kind depends largely upon the circumstances in each particular case. As one authority on the subject says, the form of organization is less important than the temperamental qualities of the cooperating buyers, the class of business done by the different stores, their location, business methods, etc. Where stores are "unequally yoked" there is sure to be friction and dissatisfaction, no matter how theoretically sound the plan of organization may be. The personal element must always be a factor of the greatest importance.

It would not be desirable to take any two merchants in any one city or town into a resident buying proposition, for the very nature of the work of securing merchandise renders it almost impossible for competitors to work harmoniously in such an organization. Both would carry the same merchandise, bought at the same price and retailed at the same price. Such a state of affairs would be likely to create many dissatisfactions.

Syndicates formed for cooperative buying should establish headquarters in New York, where the bulk of the buying is done. New York has always been the headquarters of the most important buying organizations of the country, especially in style lines.

Cooperation between all concerned is essential. The following statement comes from a man actively engaged in work with a large buying organization. He says:

> The value of such an activity hinges entirely upon the extent to which the stores will work together. A group of stores bound definitely to do a certain percentage of their purchasing through the office can do all the way from 5 to 10 per cent. of their purchases and can have many jobber advantages. The trouble with these syndicates is that when the order is actually placed, they do not act together. One house will want to work with one mill; another

house with another. One buyer has a favorite concern he has done business with for years, and therefore does not care to drop it and combine with another. The result is that the purchasing office becomes merely a visiting place with much correspondence and expense, perhaps following up orders which are hardly worth the cost. One group of stores spent a fortune with not very encouraging results. The reason was that the buyers would not work together. Many tremendous things were planned and ready for execution, but when it came to placing orders, the stores could not agree. The result was that some of the biggest concerns in the country grew tired of making propositions which were not accepted.

Many merchants realize the need for a cooperative buying association but rapidly lose their enthusiasm and perspective under the actual stress of endeavoring to combine their likes and dislikes with the individual preferences of the other members of the association. This is particularly true in the matter of discounts, which is usually one of the first things discussed in taking up cooperative buying. In comparing discounts received from various manufacturers, among ten or fifteen stores there will be an almost equal variation of discounts. At first the stores will compare discounts with each other, but when manufacturers know that discounts are being compared they often cut them down. Some stores, therefore, feel that cooperation is causing them a loss in reduction of discounts and withhold such information.

It is essential in a cooperative buying association that the secretary should be competent and thoroughly understand the work in hand.

The difficulties which have brought about failure in so many cooperative buying associations may be summed up as follows:

1. Variety of wants. Inasmuch as members of the association are taken from different localities, demand will differ to a greater or less degree. There will always be differences of opinion as to what merchandise to order.

2. Placing orders. It is very difficult to place the order to the satisfaction of all concerned.

3. Lack of cooperation among buyers.

4. Uncertainty whether expense of maintaining offices, etc.,

would not use up savings effected in quantity discounts secured.

In general, it would seem that the only entirely successful joint buying enterprise is the chain store system where buying control is concentrated under one management and where one corps of buyers takes care of the wants of all individual stores.

Buying Exchanges.—The buying exchange as applied to dry goods and department stores merchandising is a comparatively recent development. It is ordinarily an incorporated enterprise, run independently, which acts as manufacturers' agents and not as jobbers or commission men. It is meant to provide a centralized market for merchandise distributed through department and general stores.

The Bush Terminal Company is one of the best known buying exchanges. The sales rooms of manufacturers, both from New York City and points all over the country, have been brought together and incorporated into departments in such a way that visiting buyers may compare many lines and make selections with the minimum expenditure of time. Only firms which merit the fullest confidence of the trade and which conform to the highest standards of business practice are registered.

Resident Buyers.—Resident buyers are clearly divided into two groups, those who buy for any store, serving as a commission house for the manufacturer, and those who are established and maintained by out-of-town stores purely for their own buying purposes.

1. Resident buying organizations. The resident buying organization may be a great convenience or it may be grossly abused. Properly managed, it can be of great assistance to the out-of-town retailer not large enough to maintain its own resident office or to send its buyers frequently to the market.

A typical resident buying organization gives service in merchandising, general information and research, as follows:

A. MERCHANDISE DIVISION

1. Market Surveys. Studies the trend of the market, conditions and tendencies, style changes and price fluctuations, thereby keeping the stores informed in a way that would not be possible through their own individual efforts.

2. Resource Lists. Gathers complete information regarding resources in New York so as to enable the buyer's time to be spent to best advantage.
3. Buyers' Group Meetings. Holds periodic conferences with Merchandise Managers and various buying groups to exchange experiences and market information, forecasting in their respective lines and formulating and discussing merchandising programs and problems.
4. Cooperative Buying. Brings about such cooperative efforts as will tend to produce merchandise more cheaply than can be done through individual efforts.
5. Buying on Special Request. Placing orders on special merchandise. Records are kept of all such orders and these orders are followed up until delivered.
6. Advance Preliminary Survey. Locates the exact merchandise wanted, and recommends the resources where the merchandise in question may be secured.
7. Adjustment Bureau. Adjusts controversies between store and manufacturer, acting as mediator.

B. GENERAL INFORMATION SERVICE

1. Styles. New York and Paris shopping reports. Study and report of model houses.
2. Materials. Basic conditions in raw materials. Supply of materials in the hands of manufacturers, jobbers, etc. Style and novelty materials.
3. Demand. New York manufacturers' selling reports. New York retail selling reports.

C. RESEARCH BUREAU

1. General research and special studies. Information is collected on important matters of general interest to the member stores.
2. Personal Service. Facilities are available for securing information as to the eligibility or desirability of candidates for positions which any store may wish to fill.
3. Data Sections. Data files covering matters of interest to the merchandising of the departments for which the organization buys.
4. Visits to stores. Arrangements are sometimes made for specialists to visit a member store to study and advise on departmental problems.
5. Weekly Market Report. New merchandise, style features, trends and tendencies.
6. Telegraphic Information. Of extraordinary declines or increases in the market, of special opportunities for advantageous purchases, of unusual happenings in wholesale and retail circles, etc.

2. The resident office of the store. Many stores feel that it is important to maintain an office in New York as a permanent fixture. The functions of this office will vary from a mere place for buyers to congregate to the office having a permanent buyer with a staff of assistants. Many stores use the New York office for emergency purchases, sending on orders to be filled immediately. Buyers when coming to New York receive all information about market conditions, and can keep in close touch with the store.

BUYERS

In the beginning, the merchandise man was usually the buyer of goods, which were turned over to the head of the department to sell. With the development of specialized buyers, the merchandise man became the link between buyers and the store management.

The Merchandise Head.—According to John Shepard, Jr., the general functions of the merchandise man are four:

1. The merchandise head should control each of his departments from the basis of the general rules and policies of the store as a whole.

2. He should know the amount of merchandise that the store can best afford to carry in each particular line.

3. He should know the class of merchandise that the store should carry in each department to harmonize with other departments.

4. He should know the general trend of the times, and the general conditions that control the carrying of stocks, and the selling of these stocks to the public.

The merchandise man has the outside point of view which the buyer necessarily lacks. He watches turnover of stock and profits. He studies general conditions and their influence upon the merchandise plan. He consults with buyers before their trips and gives them advice.

The Buyer.—The success of a department is dependent on the buyer. He not only buys the merchandise but gives his active cooperation in selling it. The measure of a buyer's success is, of course, the percentage of profit made by his department or departments. The position of buyer in all

stores carries with it great responsibility and equally great opportunity.

It is difficult to define the qualities, inherent or acquired by experience, which the buyer should possess. Certainly the following should be included:

1. Knowledge of markets. The buyer does not wait for merchandise to come to his attention. He goes and looks for it. He frequents the sources of supply. He understands the effect of the raw material market on the finished product. He extends his study to foreign markets. He should know all there is to know about trends.

2. Knowledge of wants of the community. Equal in importance to knowledge of the sources of supply is information regarding the type of merchandise easiest to sell. This, as previously explained, is obtained by means of market research work, study of want slips, study of competitors through the comparison department, conferences with salespeople, etc.

3. Knowledge of product. The more the buyer knows about the goods which he buys, the better able he will be to perform his work efficiently. This does not mean that technical knowledge of the quality of the materials is sufficient. He must, for example, know about styles and keep in the closest touch with style tendencies, if this element enters into the problem of buying for his department or departments.

4. Knowledge of prices. The buyer should be a good trader. He must realize that it is the seller's purpose to obtain as much as possible for the merchandise, while it is his object to pay the lowest price for the type of merchandise required. This requires an exhaustive knowledge of comparative prices, transportation charges, etc.

5. Observance of system. The buyer must see that bills are put through for payment, and that the merchandise is the same as ordered. He must keep careful record of purchases and sales in accordance with the merchandise control plan of the store. Goods must be marked properly.

6. Sales guidance. The buyer must teach the salespeople how to sell the goods he buys. He must tell all he knows about the particular goods for their benefit. He must see that his department is attractive. He must arrange for display of

merchandise from his department. He must delegate sales functions to worthy subordinates.

The Assistant Buyer.—The assistant buyer is the buyer's understudy, trained to perform the buyer's duties in emergencies or when his superior is away. The assistant buyer must keep the buyer informed of everything which may affect his or her work. The principal duties are:

1. Assistance in buying merchandise. The assistant buyer follows up demand, inspects samples, sees that stock is kept complete in all ways, etc.

2. Following up merchandise on order. The assistant buyer must keep track of shipments, know what is in the receiving room, see that merchandise is properly marked, etc.

3. Advertising the merchandise. The assistant buyer helps in making up advertisements, and in many cases takes entire charge of window display.

4. Merchandise in department. The assistant buyer inspects the new merchandise, watches for over-supplies, sees that prices are changed for mark-downs, etc.

5. Recording merchandise. The assistant buyer takes much of the routine system work from the buyer's shoulders.

6. Selling the merchandise. The assistant buyer sees that all salespeople are fully informed about the merchandise, and that all necessary pressure is brought to bear in getting rid of slow-moving merchandise.

Head of Stock.—The head of the stock, who has been promoted from a salesperson, takes care of the merchandise after it is bought. The close and intimate contact with stock gives the head of stock great influence. Working under the assistant buyer, he or she sees that the routine of the department as far as selling is concerned is carried out.

Purchase Orders.—Each department should be supplied with individual order books made up in triplicate and numbered consecutively. Where buyers are in charge of more than one department they should not be permitted to use the same order book for all their departments, but should follow the plan above mentioned. In this way considerable confusion may be avoided.

As soon as an order is written, the original should be mailed

to the vendor, the duplicate sent to the office and the triplicate retained by the buyer. The duplicate copy may be filed in a department folder, that is, a folder is reserved for each department, and in this manner its individual purchases can be carefully followed up. As the duplicate orders are filed in these folders, a record may be made in the folder. In this way all orders placed for delivery during the six months of the current season are classified and can easily be followed up by a system of signals. A plan of several colors may be devised to suit individual needs, and the series of colors and combinations available hardly limit the amount of systems which may be installed.

By such a method it is possible to determine at a glance the amount of goods ordered for any department during each of the several months in the delivery season, the amount ordered for current season delivery, the amount for delivery next season, and the total amount of all orders placed. As the orders are filed, the duplicates in this folder are attached to the invoices and checked on the folder, showing that the goods have been received. Cancellations are accounted for in red figures and the usual order blanks are used for this purpose. When footing a balance, these numbers are, of course, deducted.

A large store in the New York metropolitan district follows out the following purchase order system:

All orders are issued in triplicate, numbered consecutively. On the back of the purchase order are the following stipulations:

1. All orders for merchandise must be in writing on our official order blank.

2. To be valid, all orders for delivery 30 days or over from date must be signed by an officer of this company.

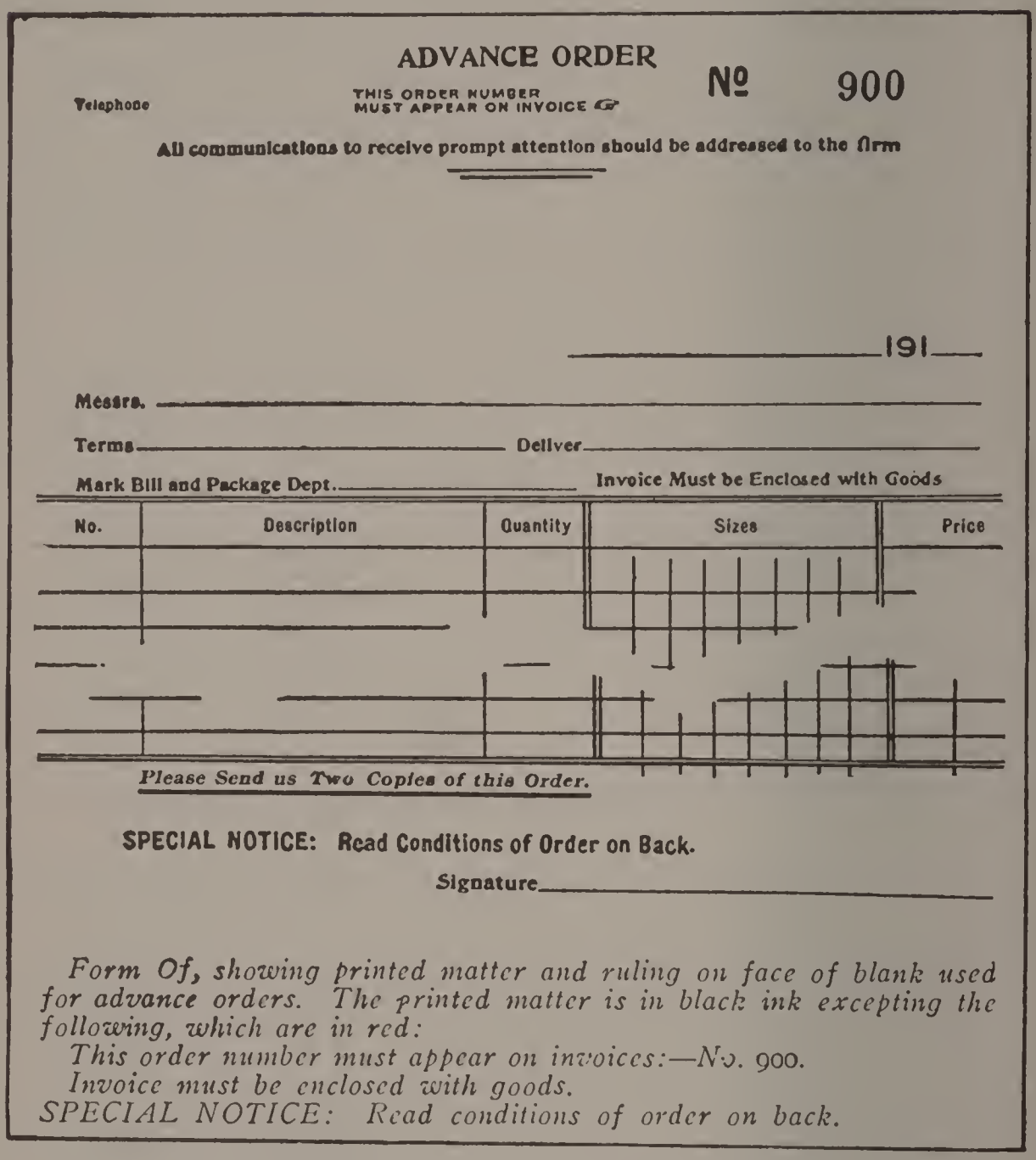
3. Orders given by telephone must be confirmed on regular order blank.

4. All goods herein ordered are to be forwarded at risk of shipper.

5. Unless otherwise agreed upon, goods are purchased f.o.b. our store and freight or express must be prepaid.

6. We reserve the right to cancel orders or refuse goods or return goods not shipped at time specified.

7. Goods sent in excess or different from order will be returned at expense of shipper.



ADVANCE ORDER

Telephone

THIS ORDER NUMBER MUST APPEAR ON INVOICE ☞

№ 900

All communications to receive prompt attention should be addressed to the firm

191

Messrs.

Terms Deliver

Mark Bill and Package Dept. Invoice Must be Enclosed with Goods

No.	Description	Quantity	Sizes	Price

Please Send us Two Copies of this Order.

SPECIAL NOTICE: Read Conditions of Order on Back.

Signature

Form Of, showing printed matter and ruling on face of blank used for advance orders. The printed matter is in black ink excepting the following, which are in red:

This order number must appear on invoices:—No. 900.

Invoice must be enclosed with goods.

SPECIAL NOTICE: Read conditions of order on back.

Fig. 62.—Advance purchase order.

8. Our department number and your name must appear on the outside of each package.

9. This order is given on condition that we are protected against all liability, loss, or expense by reason of any patent or trade mark litigation now existing or to be hereafter commenced, arising out of any infringement of patent or trade mark on goods hereby ordered, or any part thereof.

10. Our order number and department number must appear on invoice. Invoice must be enclosed with goods.

11. We require two copies of all contracts and orders for goods subject to future delivery and same will not be valid until a copy is returned to you signed by an officer of this company.

12. It is understood that if at time of delivery there is a lower market price, delivery will be made at such lower market price.

Clear statement of purchase conditions will obviate many disputes likely to arise over terms.

The advance purchase order (see Fig. 62) is peculiar in that two copies of the seller's confirmation are required. One of these copies is returned again to the seller while the other is filed in the receiving department. Advance purchase orders must usually be passed by the merchandise office.

BUYING POLICIES

The buying policy of the individual store is guided by the operating head. For example, the completeness of the stock carried, the type of stock carried, and the degree of specialization, must be taken account of in the merchandising plan. Some stores follow out a policy of never being undersold; others confine themselves to high quality goods, depending largely on the clientele.

Marshall Field and Company follows a policy of placing initial orders made up largely of samples. Samples of all houses are compared and salespeople and customers pass opinion upon them. Items which seem popular are ordered immediately. By such a system much undesirable merchandise is kept out of stock.

Some firms prefer to send buyers abroad while others make purchases from importers. There is no unanimity in buying policies, each store meeting its problems after its own fashion.

Testing Materials.—The movement towards truth in advertising has had a marked influence in causing many stores to install chemical laboratories for the testing of materials. Smaller stores find it necessary to consult a chemist frequently. Undoubtedly a department store laboratory is a valuable aid

to the buyer in purchasing wisely. It has no authority over purchases. It merely gives an opinion as to such matters as the percentage of wool or silk, based upon analysis of a sample. It passes judgment upon the fastness of a color, or the probable wear to be expected of a material of given physical properties. In addition, frequently questions as to heat conductivity, porosity, bending test, light test, fading, washing, perspiration, sizing material, weighting material, waterproofing, shine, weight per square yard, etc., must be answered.

The Timothy Eaton Company, of Toronto, Canada, has had a testing laboratory in operation for a number of years. All advertised goods are checked up in the laboratory for accuracy of statements contained therein. Some stores are analyzing all goods in stock as rapidly as possible and labeling fabrics with the results of the test.

According to E. B. Millard, head of the testing laboratory in a large Boston store, one of the most important activities of the laboratory is in connection with adjustment of claims of unsatisfactory materials:

> It is the aim of the laboratory, he says, to trace the fault in the fabric to its proper source, as a protection for the good name of the house and as a service to the customer. If the customer has used bleach in the colored wash, or used corrosive toilet preparations, or used stockings as a pen wiper, the laboratory saves the store an expensive adjustment claim. If, however, the lining of a suit or coat fades or crocks off on white clothing, or an undergarment gives way on its first washing, it is the laboratory's place to report the probable cause to the proper person within the store, who recommends that adjustment be arranged with the customer.

Improvement in mechanical processes of manufacture makes the laboratory much more important to the store inasmuch as it is almost impossible without laboratory aid to distinguish between some artificial silks and the natural article. The numerous finishing processes cannot be analyzed without chemical assistance. Many retail stores will find it profitable to maintain small laboratories for testing purposes.

Buying for Style Departments.—Merchandising, as already defined, is having what the public want when they want

it at the price they are willing to pay. To merchandise successfully for a style department is one of the most difficult problems confronting a buyer. Ultra-styles may mean prestige but rarely profits. It is necessary to sense the trend in style which will prove popular, stock it prior to the demand, and be virtually sold out when the demand is over. The wise buyer buys with the styles and not against them. When he or she goes into the market to buy the early showings, it is necessary to pick out of all these new styles an assortment to try out on the public.

The buyer must be a keen observer. There is a certain class of society which prides itself upon setting the fashion. The buyer studies what is worn by these fashion leaders. In addition, there are Paris and the French importations to be considered. Several fashion magazines get out advance notes on styles. Finally, there is the gossip of the trade as gleaned from conversations, reading of trade paper notices, etc.

In one store, great stress is laid on meetings of the department merchandising organization. A sample of each style garment in stock is taken out and considered carefully from the standpoint of price, general style features, and value. In this way, the weak spots of the entire line show up very quickly and can be strengthened at the beginning of the season.

The shopping office takes particular heed of style offerings by competitors, which serves to indicate whether the store is ready to meet popular demand.

One of the peculiarities of style goods is that demand comes quickly and falls off rapidly. In the general garment season, starting either in September or March, the first month is usually good, the second month is better, the third month is best. The fourth month begins to show a decrease in sales, and the fifth and sixth are even slower.

During the first three months people buy for style or appearance. During the last three people buy because they need the article and price is the predominant buying motive. Profits in style departments are usually made during the first three months. If excessive mark-downs must be made to move goods during the last three months the gains of the first three months may be entirely wiped out.

Moving the stock in style departments, therefore, is vitally important. The head of stock should constantly keep the salespeople informed of the slow-moving merchandise and secure their cooperation in moving it before mark-downs become necessary.

The buyer finds somewhat the same conditions prevailing in his purchasing from the manufacturer that he finds in selling to the consumer. At the beginning of the season prices are high. The market becomes easier as the season progresses until near the end the manufacturer is willing to dispose of what he has left at prices sufficient merely to cover his overhead. He may even be willing to sell at a sacrifice, which is the reason why stores are able to offer exceptional end-of-the-season values.

Buying for Staple Departments.—In staple departments there are only minor changes during the season. The style element may not be entirely suppressed but changes in style are comparatively slow.

Purchases for staple departments may be made in quantities and a considerable period in advance, sometimes as much as several months.

While prices for style articles vary a great deal in accordance with the intangible style valuation, the price of staple articles must reflect closely the intrinsic value. Numbers to be bought at each price line must be considered extremely carefully. One store of prominence has adopted the following procedure:

1. All manufacturers of recognized standing should be visited and their lines gone through thoroughly. Numbers that seem to fit best the prices planned in the model stock plan are selected from each manufacturer's lines.

2. Samples from all lines should be assembled and compared for elimination and final selection.

3. The manufacturer should be considered on the following basis:

a. Desirability of product.
b. Financial condition.
c. Factory equipment.
d. Reliability.

c. Past experience with him.

The close competition in staple lines makes range in mark-up fairly limited. It is essential to have the bulk of the stock at best selling sizes, since the mark-downs are rarely in standard sizes, but rather in very large or very small sizes.

The buyer for the style departments usually is given the largest amount of advertising space, because publicity is required to move styles. Staple departments can count on a certain current of demand and the building up of an established clientele. Style customers shop around. Staple customers usually buy without shopping, although they make a point of knowing comparative prices.

Staple departments should, however, be given newspaper advertising and window display space from time to time. Counter displays and signs can always be used to attract business.

Buying Ethics.—While buyers should make every effort to buy direct of manufacturers, jobbers should always be treated fairly so that they will be willing to help in case the buyer needs to fill in at short notice.

Local manufacturers are a great convenience and it often pays to cultivate them because of the facility with which supplies can be obtained.

Buyers should not accept favors from sellers or manufacturers, either in the way of service or entertainment. If it becomes necessary to receive a favor, a point should be made to return it promptly so that there will be absolutely no obligation, either expressed or implied, to buy other than where the merchandise and the price warrant.

In asking for exclusive rights for goods in a certain territory, it will be necessary to plan to use a fairly large amount of this merchandise during the season. If the buyer does not feel that he is able to accept this responsibility, the manufacturer cannot be expected to deprive himself of the opportunity to sell his line elsewhere.

Prompt deliveries and quality merchandise may be more important than price, especially in style lines.

Fair treatment of manufacturers always pays. That is, goods should not be returned or orders canceled without due

cause. Many complaints are heard of manufacturers accepting an order for one thing and substituting another. Some buyers have found that in placing an order it is helpful to write a fairly careful description of the sample on the order form. This discourages substitution, for it remains a clear evidence of what the buyer really ordered.

Department Dovetailing.—Each department in the store will naturally fit in to the whole organization. It will be more closely connected with some departments than others. The relation may be considered, as the *Dry Goods Economist* remarks, from a number of angles. There is the physical relation between departments, the grouping of departments under one and the same head, the uniform selling policy, the uniformity in grade of merchandise carried, the duplication of stocks, lines linked together in advertising, cooperation in display, etc.

The former bitter rivalry between department heads has generally developed into a friendly rivalry. This is much more conducive to the general level of merchandise excellence which should prevail throughout the store. That is, if the policy is to cater to a certain class of people, every department in the store should reflect that same policy in the character of the goods displayed for sale.

The management of the store is largely responsible for the good feeling which should exist between the heads of the various departments. In one well-known store it is an unwritten law that the heads shall lunch together in the public restaurant within the store.

Conflicts should be settled among buyers or straightened out from above. There are certain natural duplications of goods carried, for example, which may cause friction. Notions will overlap with inexpensive jewelry, trimmings, art needlework, etc. Dress and waist departments may find themselves carrying some lines of similar stock.

It is frequently possible to secure greater merchandising effectiveness through the display of related lines together than it is separately. Women's outer apparel departments, for example, can always find ways of cooperating.

More and more it is being felt that the buyer is not an

individual independent entity, but an integral part in the correlation of store activities.

Buyers' Reports.—Buyers' reports may be either made for the buyers by the merchandise office or may be required of the buyers themselves.

1. Reports made for buyers by merchandise office. The purpose of such reports is to afford the buyer a business barometer of conditions in his department. The slogan of the modern store merchandising department is to keep the buyer informed. There is, however, a difference of opinion as to what information should be furnished.

Table VI illustrates a form made to fit a loose-leaf binder in which it may be filed by the buyers for their future reference. If a buyer has charge of more than one department, his binder may be subdivided so that a separate section may be set apart for each department.

The form is in three sections; the upper section contains a statement of purchases, sales, and reductions for the week; the middle one contains a statement of the condition of stock, unfilled orders, and balance to buy; and the lower part contains a statement of purchases, sales, reductions, etc., cumulative from the beginning of the period to date, including the amounts entered in the upper section of the report.

The lower part of this report is printed in red and the entries are made in red, while the other parts are made in black.

In this particular organization the reports are given to the general manager to review before going to the buyers. If there is anything of importance to which he desires to call their attention, a notation may be made under "remarks" before the report is handed on.

Figure 63 represents a form used by a very progressive store. It differs radically from the preceding form in that the buyer is furnished with the operating expense figures of his department as well as with merchandise data. Many firms are adopting this modern view and believe that to supply the buyer with expense data is to create a bond of cooperation between the buyer and the management. One can readily see how this result is brought about. The average buyer is not prone to interest himself greatly in the general operating ex-

TABLE VI.—FORM USED BY BUYERS

STATEMENT

Week.....May 7.....1921

Dept. 26

	1920		1921	
Purchases (Retail)	3,148	02	5,210	00
Sales (C)	200	03	2,406	35
Reductions (a)	.....		.....	
STOCK				
Balance on Hand (Retail)	43,583	38	48,994	61
Days to Sell	256		224	
Unfilled Orders (Cost)	2,530	63	3,320	85
Possible to Buy (Cost)	8,624	63	8,936	32
LAST INVENTORY TO DATE				
Purchases (Retail)	11,800	83	16,313	45
Sales (a)	3,446	45	4,179	27
Reductions (a)	.....		.....	
Average Marked Inventory and Purchases (Per cent)	28.7		29.3	
Expected to Realize (Per cent)	27.5		27.5	

REMARKS

	Departments	Month 192	Per cent	Period 192	Per cent	192	Per cent
MERCHANDISE	Stock on hand beginning						
	Purchases						
	Mark on						
	Sales at Retail						
	Regular Reductions						
	Discount						
	Cost and labor reductions						
	Stock on hand end of month at cost						
	Stock on hand end of month at retail						
	Average (black) shortage (red) per inventory						
	(1) Merchandise profit						
EXPENSES	Administrative and general						
	Occupancy						
	Publicity						
	Buying						
	Selling						
	(2) Total expenses						
EARNINGS	Net merchandising profit (1) minus (2) equals						
	Cash discount						
	Net bill discount						
	Total profit						
INFORMATION	Outstanding orders						
	Number of sales						
	Average of sales						
	Turnover						
	Last inventory date						
	Previous inventory date						
	Third inventory date						

FIG. 63.—Another form of buyer's record.

pense of his department. He is thoroughly satisfied if his merchandise is selling and his gross profit seems sufficiently high. He is continually asking for more advertising, more space, and more window displays, more salespeople, and forever resenting any curtailment of expense. At the end of the season when he is acquainted with the expenses of his department he suffers a rude awakening. He finds that his margin of profit has been greatly reduced by heavy expenses which he had insisted upon despite the protests of the management.

On the other hand, when the buyer is acquainted with his operating expenses weekly or monthly, and is given an opportunity to compare them with his expense for a similar period during the previous year, it arouses in him an interest in his expense data and curbs his tendency to increase expenses without necessity. He realizes as never before that the management is working with him and not against him, and he is ready to lend his full cooperation.

The expense data which should be of interest to the buyer are as follows:

Administrative and general.
Occupancy.
Publicity.
Buying.
Selling.

This classification of expense covers the field thoroughly, and enables the buyer to tell at a glance what the various items of his expense are as well as the total.

In addition to expense this form keeps the buyer posted on the earnings of his department, and supplies additional useful information such as outstanding orders, number of sales, average sale, and turnover statistics.

The form itself is very simple in its layout and all the data for the same month may be kept on one page over a period of years.

Figure 64 is used in a large department store in the East. It is issued once a week by the merchandise office and contains information of vital interest to the buyers.

Such a report as this affords the buyer a medium of comparison between the business of the current week and the

DEPT. NO.

Week Ending	This Year	Last Year	Per Cent Increase Decrease
Purchases (bills passed) ok.			
Purchases (inventory) (Jan. 1, incl.) to date			
Sales week			
Sales to date			
Reductions week			
Reductions to date			
Mark Up, per cent week			
Mark Up, per cent to date			
Stock			
Bills not passed			
Total Stock			
Orders Outstanding			
Advertising, per cent week			
Advertising, per cent to date			
Wages, per cent week			
Wages, per cent to date			
Discount, per cent to first of month			

FIG. 64.—Report to buyers made by merchandise office.

business of the corresponding week of the preceding year. The buyer is supplied with information regarding advertising, salary expenses and other details, such as outstanding orders, mark-up, discounts, reductions and sales for the week. This store has adopted the policy of giving stock figures to buyers at retail only.

The forms are made out in duplicate—one copy is filed in the merchandise office; the other copy is kept in a loose-leaf binder by the buyer, and serves as an authentic record of business throughout the year contrasted with the activities of the preceding year.

2. Reports made by buyers. All buyers have to make certain reports to the merchandise manager as heads of their departments, and such reports are exceedingly important documents.

At R. H. Macy and Company's store the buyer makes a report each Monday morning, which contains the following specified information, describing activities both from a seasonal and weekly basis:

1. Sales for the week ending Saturday, also for the season up to that point.

2. The same record for the stock.

3. The percentage of the marking of profits on bills for the week and for the season.

4. Reductions for the week and for the season.

5. Average salescheck for the week (amount of sales of the department divided by the number of transactions). On a rising market this will be large. On a falling market, the average salescheck will be much lower.

6. The amount of advertising for the department during that week, and the percentage of advertising for the season.

7. The salaries paid to salespeople during that week and the percentage for the season.

8. The cash discounts earned by the department for the week and for the season.

9. The percentage of refunds (amount of money returned divided into total sales).

10. Information on all the above points for the corresponding week of the preceding year.

11. A statement of the amount of orders outstanding.

12. Each officer of the firm gets a statement of all stock which is more than a year old (on wearing apparel the limit is six months).

Buyers' Compensation.—It is almost a universal custom to recompense the buyer on the basis of the successful operation of his or her department. A simple method is to go back over past records and establish what might be regarded as a standard gross profit, to fix the minimum sales necessary at a point properly commensurate with the buyers' present fixed salary, and then to give him a percentage of the excess over that quota of sales, provided he maintains the standard percentage of gross profit.

In one large store there is a system of deferred salaries which allows the buyer to set his or her salary. In addition to a drawing account there is a sales and bonus schedule, and a demand mark-up minimum below which there is no bonus paid.

Above that amount there is a certain amount paid at the end of the year which is determined by the sales grade attained, in which connection is considered the mark-up attained.

We have found, says one of the officials of the store, that it was well to permit the buyers to get through this system as much as possible of their total earnings. In most cases they amount to one-third of their total earnings. In some cases it amounts to more than the salary, and by focusing the attention of the buyer upon the mark-up as well as upon the sales, it has proved to be a very great stimulus in increasing business. Since the adoption of that system there has not been a buyer come to the office for an increase in salary, nor has there been a case of a buyer leaving because of unsatisfactory compensation.

Some stores feel that the percentage of profit should not be a factor in determining salaries, but that buyers should be compensated on a straight percentage basis. That is, the firm may decide to be satisfied with smaller profits in times of decreasing prices in order to maintain its volume of sales, and if remuneration were on percentage of profit there might be dissatisfaction among buyers.

Discounts.—Discounts are, in reality, inducements offered by manufacturers to buyers whose business is regarded as especially desirable. To do away with discounts would merely mean that some other concession would be offered. As the National Retail Dry Goods Association said, at the time of the war, when the agitation against discounts was at its height:

> The discount is in a sense a certain degree of profit claimed in advance of the story told by the store's books at the end of the year, and, in many instances, if it were not for the discounts, the story on the books would be one of loss rather than of profit.

Manufacturers would like to cut out all discounts and sell for cash net. Retailers are firm believers in the necessity of discounts. There is, however, great feeling against the sliding scale of discounts which allows the large store to procure merchandise at a lower cost than the small store.

The retailer's point of view is summed up in a reply by a Middle West merchant to a circular letter requesting information on discounts sent out by the American Exchange National Bank of New York. The letter says in part:

1. If "credit" is a necessity in modern business conditions, then the necessity for "terms" follows as a corollary.
2. If "terms" are advantageous or necessary, the "discounts" must go hand in hand with "terms" to equalize any desired change to be taken in same.
3. If we eliminate "discounts" as fallacious, let us in turn eliminate "terms" and also "credit" and get back to the days of barter and exchange of one commodity for another.

The letter goes on to point out that one of the foundation principles of trade is that the retailer must have a time term to allow for transportation and a fair chance for turnover. In normal times the item of "discount" has always been very important to the retailer and often has been the one thing that saved the season. If goods are sold on a thirty or sixty day basis the purchaser who *can* pay cash is entitled to a fair recompense and something more than a mere 6 per cent interest. If the manufacturer sells only on time he must become more and more a heavier borrower at his banks. The quoted

objection that many overrun the terms and remit when they please is not controlling and can be corrected.

The benefit of discounts can only be realized by taking advantage of them. While the merchant who takes terms rather than discounts has the use of the money while all or some of the stock purchased is being turned over, he does not have the extra profit which taking up the discount would have allowed him. One per cent ten days is equal to 18 per cent during the year. In some lines of goods future dating is customary in addition to cash discount. In the majority of cases failure to take advantage of discounts means the merchant is paying a higher percentage for the use of the money than he would have to pay at the bank.

CHAPTER XXVI

STOCK KEEPING

Before there is any discussion of mark-up and inventory it is necessary to understand the advantages of the retail system of accounting over the old-fashioned cost system. The operation of the system, as described by T. L. Blanke, Director of Accounting and Control, Controllers' Congress, National Retail Dry Goods Association, is very simple.

It is necessary to take the inventory of merchandise on hand in each selling department at both cost and retail in order to establish the average percentage of mark-up to begin with. To this is added the value of all merchandise, as received, by departments at cost and retail. These cost and retail values are accumulated during the year by periods.

The total retail value minus the total cost value equals the total purchase mark-up to date, which, divided by the total retail value, gives the percentage of purchase mark-up to date. To arrive at the retail value of the goods on hand at the end of any period, the above accumulated total is credited with the total sales at retail, and all reductions at selling price, less such mark-ups as are cancellations of mark-downs previously taken. The resultant figure is the value of the inventory at hand at retail at the close of the period, whether weekly, monthly, or by other measure of time.

See Fig. 65, which gives a formula meeting the government's requirements. Physical inventories, by departments, are taken of the goods on hand at retail at the close of the fiscal year, and the retail value of the book inventory of goods on hand is adjusted accordingly. The cost value of the goods on hand is then computed by subtracting from 100 per cent, the percentage of purchase mark-up, which gives the percentage of cost, and multiplying the retail value of goods on hand by such percentage of cost.

FORMULA

	(1) Cost	(2) Retail	(3) Mark-up	(4) Per cent of Mark-up
1 Opening Inventory (lines 9 and 10 of preceding period)	.....	.....	.....	.....
2 Purchases	... ..	... ..	... ..	... ..
3 Freight Express and Cartage, Inward	... ..	xxx xx	xxx xx	xxx xx
4 Additional Mark-ups, less additional Mark-up Cancellations	xxx xx	... ..	xxx xx	xxx xx
5 Total of Inventory, plus Additions	... ..	... ..	... ..	... ..
6 Net Sales	xxx xx	... ..	xxx xx	xxx xx
7 Mark-downs, less Mark-down Cancellations	xxx xx	... ..	xxx xx	xxx xx
8 Total Retail Deduction (sum of items 6 and 7)	xxx xx	... ..	xxx xx	xxx xx
9 Resultant Retail Inventory (Retail Inventory on line 5, Column 2, minus item 8)	xxx xx	... ..	xxx xx	xxx xx
10 Calculation of Cost Percentage: (a) Total Percentage.....100 per cent (b) Percentage of Mar -up (line 5, Col. 4)..... per cent (c) Percentage of Cost [(a) minus (b)]..... per cent				
11 Cost Inventory (item 10 (c) applied to item 9)	... ..	xxx xx	xxx xx	xxx xx
12 Resultant Mark-up and Percentage (item 9, minus item 11)	xxx xx	xxx xx	... ..	... ..
13 Gross Cost of Merchandise Sold (difference between Cost Inventories on lines 5 and 11)	... ..	xxx xx	xx xx	xxx xx

FIG. 65.—Retail inventory method.

Advantages of Retail System.—The chief advantages of the retail system, according to Mr. Blanke, are:

1. It provides a check on losses, errors and inaccuracies. The book inventory may be checked against the physical inventory, verifying the work of both the book records and of those who handle the stock. If large differences exist, the work can be checked back and errors corrected. The book inventory is corrected by making adjustments for errors at the time discovered or determined.

2. It affords a definite and consistent basis of taking and valuing inventories for financial statement purposes. The banker will know, as well as the owner, how the inventory was arrived at. It will establish confidence in the owner's business by the banker, and make it easier to borrow money in time of need.

3. It is good accounting practice to price an inventory at cost or market, whichever is the lower. It is not only good accounting, but also conservative financing to do so. The retail method has a tendency to value the merchandise at cost when market is higher, and at value or market when the market is lower.

4. It has been accepted by the Internal Revenue Department because it was felt that the ease of verification is one of the most important features. Complete records of every step from the purchase of items to their final disposition by sale afford an accurate and prompt check.

5. It provides a basis for the adjustment of fire losses. Knowledge of just what amount of stock is carried in each department is important, especially where a co-insurance clause exists.

6. It acts as the basis for the controlling of merchandise stocks. Unless the merchandise manager knows at least once a week the amount of stock in each department, the size of the inventory cannot be controlled nor stock turnover determined.

7. It provides details for a complete monthly operating statement, making it possible to issue an accurate profit and loss statement for the store as a whole and also for each individual department.

8. It saves time at the close of the fiscal period when the

physical inventory is taken. With the system in operation, it is necessary to take the inventory at retail only. This eliminates the probabilities of errors through the copying and decoding of cost marks. Further, it takes time to refer to cost books from stock numbers on the inventory. This will not be necessary under the retail inventory system.

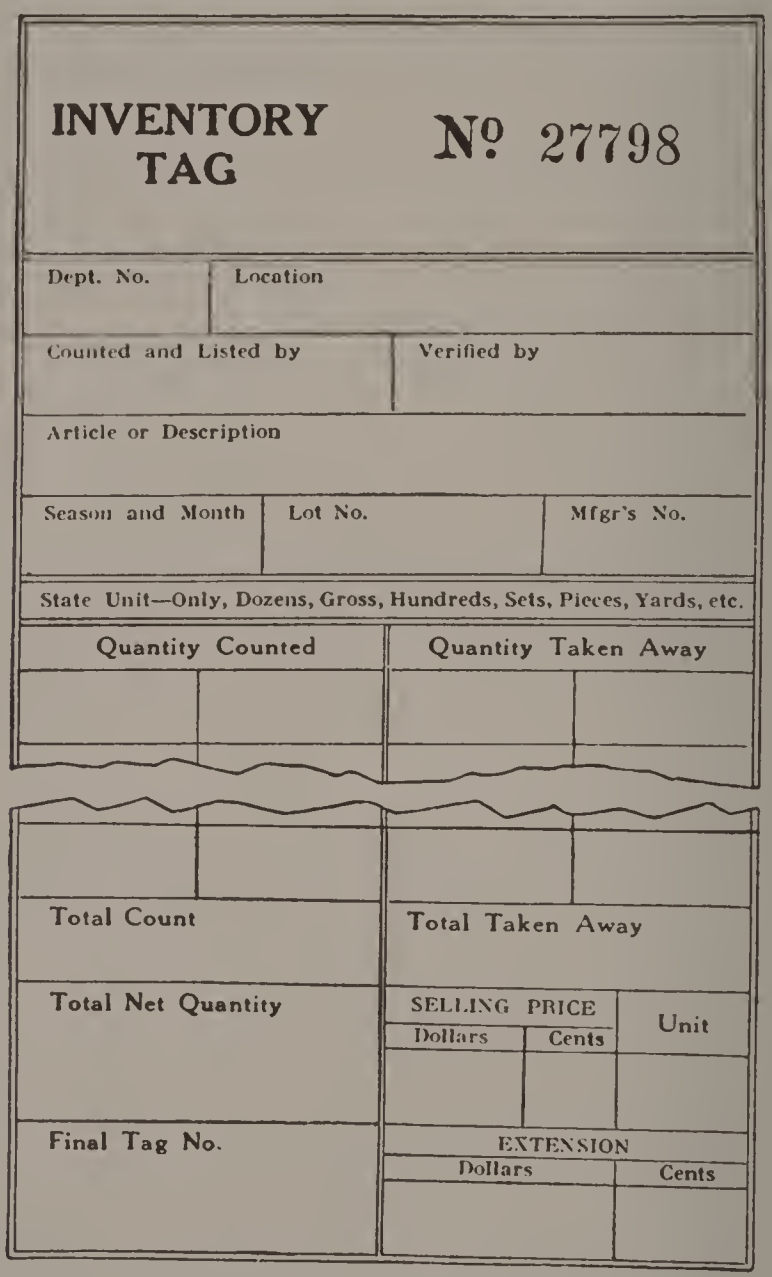
Stock Taking Methods.—Inventories are usually taken in retail stores at periodic intervals.* Modern methods have done away with the antiquated method of closing the store during the process of inventorying. The taking of the inventory should be so planned and organized in advance that only a few days should be needed to complete the task. In large stores inventories are generally taken on January 31 and July 31. The inventory is taken by departments and merchandise in each department should be carefully arranged beforehand as to lines, sizes, and qualities. In some departments carrying small articles, such as notions, toilet goods, etc., the counting is done in advance and a tag such as illustrated in Fig. 66 is attached to each compartment, drawer, or box to show the number of articles within, with spaces following to indicate the number taken out and sold between the time of counting and the time of actual inventory.

Each department must be supplied with inventory sheets, the loose leaf system being preferable to the bound inventory book. Sheets are numbered consecutively so that if any of them are lost, the fact will become apparent by a mere checking of the pages. The top of the sheet should have blank spaces for the department number or letter, the date, and the names of those who use it.

The employees of the department should be divided into teams or pairs. Each buyer normally takes charge of his own department. In case the buyer is in charge of several departments, he should delegate some one to supervise the work in each of them.

* Rulings have been made by the office of Internal Revenue (U. S. Treasury Department) as to the "Retail Method" of pricing inventories, and also the requirements where change is to be made from "Cost" to "Retail" system. Particulars can be obtained from the above-named office, at Washington, D. C.

One person should call off the stock on passing from item to item, and an assistant should enter the item on the sheet, repeating the item and its quantity to the one who calls it. Repeating is an indication that the figures are correctly understood. The actual work of the stock taking is done by the stores' regular organization, as it is more familiar with the


INVENTORY TAG

No. 27798

Dept. No. | Location

Counted and Listed by | Verified by

Article or Description

Season and Month | Lot No. | Mfgr's No.

State Unit—Only, Dozens, Gross, Hundreds, Sets, Pieces, Yards, etc.

Quantity Counted | Quantity Taken Away

Total Count | Total Taken Away

Total Net Quantity | SELLING PRICE (Dollars | Cents) | Unit

Final Tag No. | EXTENSION (Dollars | Cents)

Fig. 66.—Inventory tag.

stock and local conditions. In many stores extra clerical workers are employed to extend the sheets and total them.

The information to be gathered by inventorying should be:

1. The quantity or number of items.
2. The age of the merchandise or time of purchase.
3. The cost price when operating on the cost system, and the selling price when operating on the retail inventory method.

4. The selling price.

The method of taking inventory will depend on whether it is done during or outside of working hours, and whether yard goods or piece goods are being inventoried.

By spreading the actual inventory taking over a month or more, congestion and confusion will be avoided, and time allowed for investigation of discrepancies and irregularities.

Forms.—The use of the tag, Fig. 66, allows the preparation of inventories in advance of the actual date of inventory. It is common practice to indicate goods sold after the tag is made up in a special column, although in some stores the old marks are rubbed out and the new ones put in.

Figure 67 shows an inventory form in frequent use. Here an arbitrary letter is assigned to each season. For example, "A" means this season's goods, "B" last season's, and "C" goods purchased last year, etc. These code letters are warning signals for goods overlong in stock. The amount of goods on hand from each season may readily be ascertained.

When merchandise is being inventoried at both cost and retail, a double column, one for cost and one for retail selling price, will be necessary under each letter representing length of time in stock.

Figure 68 shows a desirable form for use in figuring inventory at retail. Figure 69 shows a form for inventories to be taken at cost or market, whichever is lower. All columns should be filled in in both cases.

Under the retail method it is not necessary for all departments to take inventory at the same time.

The first extension on the sheets is made on the stub to the right and the stub totaled. Stubs are then detached by the person in charge and the second extension made and totaled. After both extensions have been completed, the stub total is compared with the second extension total, and, if not correct, the error is located and corrected.

The usual method in the past was to take inventory at cost, or, if the retail price had been reduced or the market had declined, the goods were entered at a correspondingly reduced figure. This practice, however, is not sanctioned by income tax officials. As noted previously, the modern method

INVENTORY

Sheet No._____ Sheet No._____

Date _____ 192__ Dept. No._____

Department _____ Date Stock Closed _____ Extensions Checked by _____ Extended by

Called by _____ Extended by _____ Footings Checked by _____

Written by _____ Added by _____ Sales Deducted by _____ Added by

WRITE PLAIN AND MAKE FIGURES CLEAR AND DISTINCT

	LOT NO	DESCRIPTION	Season Letter	QUANTITY	UNIT	PRICE	TOTAL	A	B	C	Mdse. Over Three Years	FIRST EXTENSION

FIG. 67.—Inventory form.

INVENTORY OF MERCHANDISE

DEPT. No._____ SHEET No. 3322 SHEET NO. 3322

DATE_____

VALUABLE
DO NOT DESTROY
Each Sheet Must be Accounted For

FIRST EXTENSION BY_____ DEPT._____

LOCATION_____

SECOND EXTENSION BY_____

CALLED BY WRITTEN BY CHECKED BY SERIAL No.

M & C—1183—5m 1-22

ARTICLE OR DESCRIPTION	SEASON AND MONTH	LOT No.	MFGR'S OR JOBBERS No.	QUANTITY	UNIT (YARDS PIECES DOZEN GROSS)	RETAIL PRICE AMOUNT	RETAIL PRICE UNIT	SECOND RETAIL EXTENSION—BY SEASONS: LAST SEASON-6 MO.	SECOND RETAIL EXTENSION—BY SEASONS: PREVIOUS SEASON-6 MO	SECOND RETAIL EXTENSION—BY SEASONS: OVER ONE YEAR	FIRST RETAIL EXTENSION

Form No. 2

Date Closed _____

Date Taken _____

Location _____

INVENTORY OF MECHANDISE

VALUABLE
Do Not Destroy
Each Sheet Must be Accounted For

Dept. No. _____ Sheet No. _____

First Extension By _____

Second Extension By _____

Called By _____ Written By _____ Checked By _____ Serial No. _____

Sheet No. _____

Department _____

	Article and Description	Season and Month	Lot No.	Mfgr's or Jobbers No.	Quantity	Unit: Yards Pieces Dozens Gross	Retail Price: Amount	Retail Price: Unit	Cost Price: Cost to Purchase	Cost Price: Present Value	Second Extension: Retail-By Seasons: Current Season	Second Extension: Retail-By Seasons: Last Season 6 Mo.	Second Extension: Retail-By Seasons: Previous Season 6 Mo.	Second Extension: Retail-By Seasons: Prior over one Year	Second Extension: Cost	First Extension: Retail	First Extension: Cost
	Total																

FIG. 69.—Form for inventory to be taken at cost or market.

is to list all goods at retail, or cost and retail. This shows not only the value of the merchandise, but also the amount of mark-up involved, and its proportion of profit, thus enabling the retailer to realize that something must be done to increase his business.

Inventory Errors.—Since the net profit of each department, and of the business as a whole, is dependent upon the accuracy of the physical inventory, the importance of throwing all possible safeguards round the figures is self-evident. The following list shows some of the possible errors which might have a serious effect upon the final results:

1. Failure to include some items in the inventory.
2. Including the same stock twice.
3. Failure to make a correct record of sales and returns during the periods of inventory taking.
4. Error in calling to employee listing inventory.
5. Error in listing on inventory sheets.
6 Error in extensions.
7. Error in footing.
8. Error in summarizing inventory sheets.
9. Misunderstanding of instructions.
10. Error in including merchandise in inventory not charged to department.
11. Error in excluding merchandise from inventory that has been charged to department.
12. Merchandise in wrong stock room and listed on wrong sheet.
13. Deliberate padding of inventory by buyer or department manager.

If the inventory is taken at retail and a book inventory is maintained in the general office which does not agree with the physical inventory, it will be necessary, in order to locate the error, to give attention to the following possibilities, which must be considered in addition to those already stated above:

1. Sales credited to wrong department by salesclerks.
2. Sales credited to wrong department by auditors.
3. Refunds and returns charged to wrong departments.
4. Merchandise charged to wrong department.
5. Crediting wrong department with merchandise claims.
6. Error in general office records in figuring stock.
7. Over measure or over weight to customers.
8. Theft by customers or employees.
9. Error in previous inventory.
10. Merchandise received short but checked in as correct.

11. Failure to enter claim for damaged or short shipment.
12. Merchandise marked at a retail price different from that shown on invoice by the buyer at time of purchase.
13. Merchandise lost between receiving room and department.
14. Merchandise delivered to customers without salescheck being made.
15. Failure to report or record merchandise transfers.
16. Merchandise out of department for display purposes not inventoried.
17. Merchandise out on memorandum or approval not inventoried.
18. Contract Department stock not kept separate.
19. Additional mark-ups not reported.
20. Mark-down cancellations not reported.
21. Failure to report or record mark-downs due to the following causes:
    - Special sales
    - Depreciation of merchandise
    - Merchandise becoming out of date or out of style
    - Employees' discounts
    - Breakage
    - Merchandise damaged by display or handling
    - Returned merchandise which cannot be sold at original price
    - Allowance to customers where no merchandise is returned
    - Remnants and odd lots
    - Replacement of merchandise on adjustments
    - Where merchandise is placed in stock at one price and later sold at a quantity price.

If the inventory is not taken at retail, but at cost only, and it is desired to check the physical inventory with the estimated cost inventory maintained on the general books, there must be taken into consideration in addition to the first group of errors and all of the second group except Nos. 12, 19, 20 and 21, the following possibilities:

1. Use of wrong percentage for determining book inventory.
2. Differences in prices due to rising or falling market.
3. Substitution of market price in place of the cost on certain items.
4. Deductions or additions made by the department and not by the office or vice versa on such items as discount, freight, buying expense, etc.
5. Error in costing where the same article is in stock which has been purchased at various cost prices.
6. Error in office records.

Perpetual Stock Inventories.—The perpetual or running inventory is coming to be a very necessary part of retail stock-keeping systems in certain departments. By working out the main principles of a system and adapting it to the needs of

the individual departments, the perpetual inventory becomes a highly valuable aid to the buyer. For example, the perpetual inventory will show:

1. Make, style, cost, retail, size range, manufacturer, when ordered, first received, and put on sale of every piece of merchandise.
2. Stock on hand.
3. Stock on order and when ordered.
4. Pieces sold according to size.
5. Pieces exchanged or credited according to size.
6. Best selling sizes.
7. Increases or decreases in cost or retail or both.

This information will prevent overbuying, call attention to slow-moving merchandise, increase number of turnovers, and minimize mark-downs.

The perpetual inventory should be started directly after the physical inventory in order that all goods on hand may be included. Perpetual inventories will not come out exactly with physical inventories owing to the natural shrinkage of stock from theft, errors, etc. The actual discrepancies, however, should not be large. One store doing a business of over $6,000,000 a year is said to have had the theoretical inventory come out within $500 of the physical inventory.

The following simple perpetual inventory method is described by Ernest C. Hastings in the *Dry Goods Economist.* A book is secured large enough to allow rulings similar to those in Fig. 70. Each page should have space sufficient for a month, the left-hand side being reserved for sales and the right hand for buying. The headings of the columns, of course, may be varied at will.

Under each departmental heading are two columns, the left-hand for sales and the right-hand for mark-downs. Under sales would be noted net sales and mark-downs for each day. Under buying all "purchases" and "on orders" would be entered. All that is necessary to do in order to find the amount of merchandise outstanding is to subtract total purchases from on orders.

The above, of course, is an extremely simple method. The system can be expanded, however, to include various units of a

department. Instead of waists, headings can be silk waists, cotton waists, sports waists, etc.

There are probably hundreds of perpetual inventory systems in use but all of them rely on one factor for their usefulness. They must be kept up faithfully day by day. Otherwise they cannot serve the purpose for which they are intended.

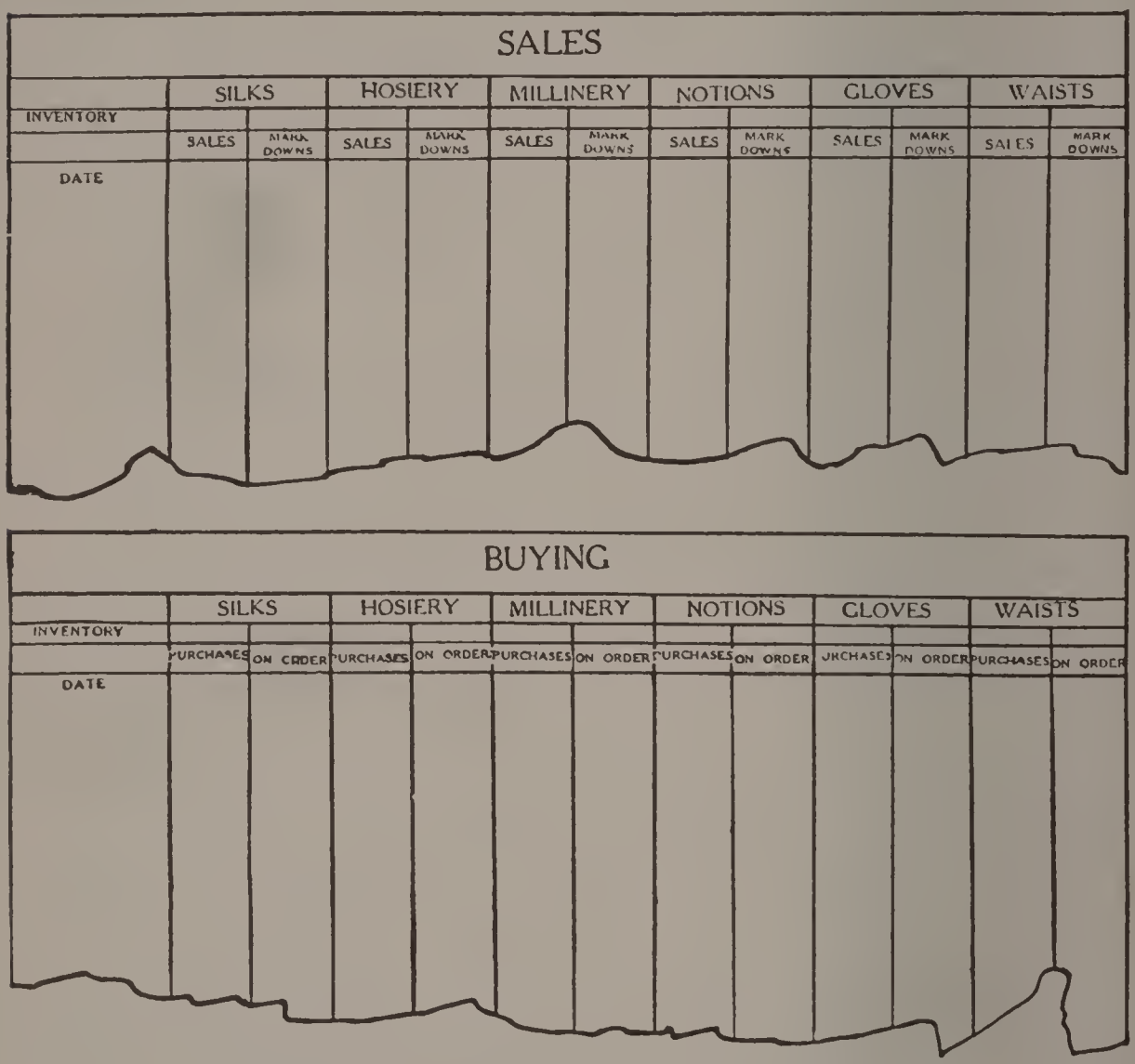


FIG. 70.—Perpetual stock inventory sheet.

Price Marking.—There are no standard systems of private cost-marking of merchandise but there are several points which most merchants take into consideration when preparing price labels and tickets. It is considered necessary that as little marking as possible appear on the price tickets when the goods reach the counter. This is in order that the selling price itself be plain for the customer to read and not likely to be confused with other markings. The more brief the markings, the less time consumed.

Many large stores today do not care to have anything on the price tags to indicate what the purchase price of the article was, because almost any code system is worked out in a short time by salespeople or customers who may be anxious to know it.

One large department store follows out a pricing policy based almost entirely on the time the article remains on sale. Having made sure that the selling price is right, the goods are displayed and pushed. If they remain in stock for too long a time, an investigation is made. If the selling price proves to be the obstacle to remedy turnover, the goods are marked down to whatever figure will sell them, even if below cost. In such a case, the date of purchase is the important information.

Codes.—Just as on the inventory, it is sometimes advisable to mark tags in some way to indicate the date of their being put on sale. Some stores use a letter and a figure to indicate the period. "A" might be used for this year's purchase and "B" for those of the year before. The year might be divided up into six months' periods or perhaps quarters. In the latter case "B3" on a tag would denote that the merchandise was bought in the third quarter of the preceding year.

The *Dry Goods Review* says:

> In cases where it is found advisable to indicate figures, it is better to use a more detailed code than the ordinary alphabetical one, where "a" means 1, "b" means 2, "c" means 3, etc. A word or phrase of ten letters is preferable. These should not have any repeated letters, as this would give two interpretations to the one letter. Such words as "monarch fly," "marking out," "dark violet," etc., would be suitable. The letters are numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 0, starting either at the right or left; then the letter is used instead of the figure where desired.

A certain Wisconsin dry goods store uses a price marking system which shows when goods were placed in stock and cost. Goods are marked with three or four numerals and one letter. The letter refers to the six-month period in which the merchandise was purchased. The numeral at the opposite end from the letter refers to the month in the buying period. When a definite number, as for example, two, has been subtracted

from each of the intervening figures the cost of the merchandise is obtained.

For instance, if the goods are marked "364 B" the "B" refers to the second six months of 1922 and the first number "3" refers to the third month in that period, or September. When "2" has been subtracted from both of the middle figures, the cost price of 42 cents is readily found. Such a system is valuable when quality of merchandise varies according to the period in which it was manufactured.

Under the retail inventory method, it is not necessary to code the cost figures, inasmuch as the inventory is taken at retail only, after the first year's operation. Stores operating under this system mark only the *season letter* and *invoice number* in addition to the retail price on the price tag.

Price Changes.—No inventory system can be accurate without careful attention to price changing, both up and down. This can be done either through a mark-down department or having buyers report daily on the subject.

In the J. L. Hudson Company of Detroit all re-marking is done by the marking room people who bring the merchandise into the marking room for change if possible. When the nature of the goods does not permit this, it goes into the selling department with the new ticket and price corrections are made there. No selling department is allowed to have unattached price tickets. Price changes are never allowed to be made by crossing out the old mark and making a new one. New tags must be attached in all cases. Where comparison of old and new prices is desired, both tags are allowed to remain.

In every case supervision of mark-downs is necessary. In Mandel Brothers store no mark-downs are allowed in any department unless they have been approved by the merchandise manager in charge of the department. Furthermore, nothing can be sold under the price marked on the tag.

Mark-downs are generally estimated in the merchandise plan on the basis of the experience of previous years. The reason for this is that the percentage based on past experience is used to establish the correct percentage of mark-up which a department should show in order to cover the operating expenses and leave the desired percentage of net profit. Should

the mark-downs for the current year exceed the estimated percentage, net profits will suffer proportionately. In order to maintain control over these mark-downs, it is very important that requisitions for mark-downs be approved by the proper authorities (such as the merchandise manager) before the buyer is allowed to change the prices.

Figure 71 shows a convenient form for changing the retail price either up or down. These changes must be recorded in the statistical department.

REPORT OF CHANGE IN RETAIL PRICE

No 4799

M U INDICATES MARK-UP
M D INDICATES MARK DOWN
M D C INDICATES MARK DOWN CANCELLATIONS

DEPARTMENT

DO NOT REPORT CHANGES IN MORE THAN ONE DEPARTMENT ON EACH SHEET

DATE 192

ERNST SYSTEMS FORM NO 802398

REFERENCE	ARTICLE	FORMERLY SOLD AT	TO BE SOLD FOR	CHANGE IN PRICE	QUANTITY	UNIT	TOTAL CHANGE

REASON FOR CHANGE OF PRICE

GOODS MARKED BY

APPROVED BY

FIG. 71.—Form used for reporting change in price.

Statistical Department Procedure.—The Statistical Department maintains the records covering invoices received, consignments, returns, transfers and mark-downs. It compiles and makes the reports on orders placed, goods billed, merchandise received, open to buy and stock on hand in each department for the benefit of the merchandise office and those in charge of the various merchandising functions of the store.

The mark-down reports are consecutively numbered, bound in pad form, in duplicate. Each buyer is supplied with a pad of these forms, upon which he lists the articles of merchandise upon which he desires to take a mark-down. It is then sent to the merchandise manager for approval. If approved, in the smaller stores, the buyer then changes the price tickets ac-

cordingly; or, in the larger stores, the mark-down report becomes an order on the marking room to issue the required number of price tickets and make the changes.

At the close of each day, these reports are sent to the statistical department for verification as to extension and entry against the department affected. The information to be recorded on the mark-down reports is self-explanatory.

Transfers for merchandise should be recorded as charges against the stock of the department into which the merchandise is sent and credited to the department from which taken. Merchandise used for expense purpose should, of course, be charged to expense. The adjustments to stock records are made on the departmental merchandise stock record at the close of each accounting period.

CHAPTER XXVII

MARK-UP, PROFITS AND TURNOVER

There are two elements in the determination of net profit:

1. The percentage of realized markings or gross margin.

2. The percentage of expense, or what is generally known as the cost of doing business.

The first factor is controlled largely by competition. The second is partially out of the store's control so far as fixed expenses are concerned, and dependent on careful management so far as controllable expenses are concerned.

Proper control of turnover, the number of times the stock in question turns during a given period, has a vital effect in the control of net profits, as described later.

The conclusions reached by Professor Secrist of Northwestern University in the extensive investigation made of the retail merchandising of clothing are worthy of attention. The following facts were brought to light in relation to costs, profits, and turnover:

1. Actual amounts of expense in retail stores vary from store to store, from place to place, and from time to time. Stores of similar size and location, however, stand at a given time in about the same relative position one to the other as respects purchases, inventories, turnover, gross margins and expenses. That is, the group moves together in a more or less definite manner.

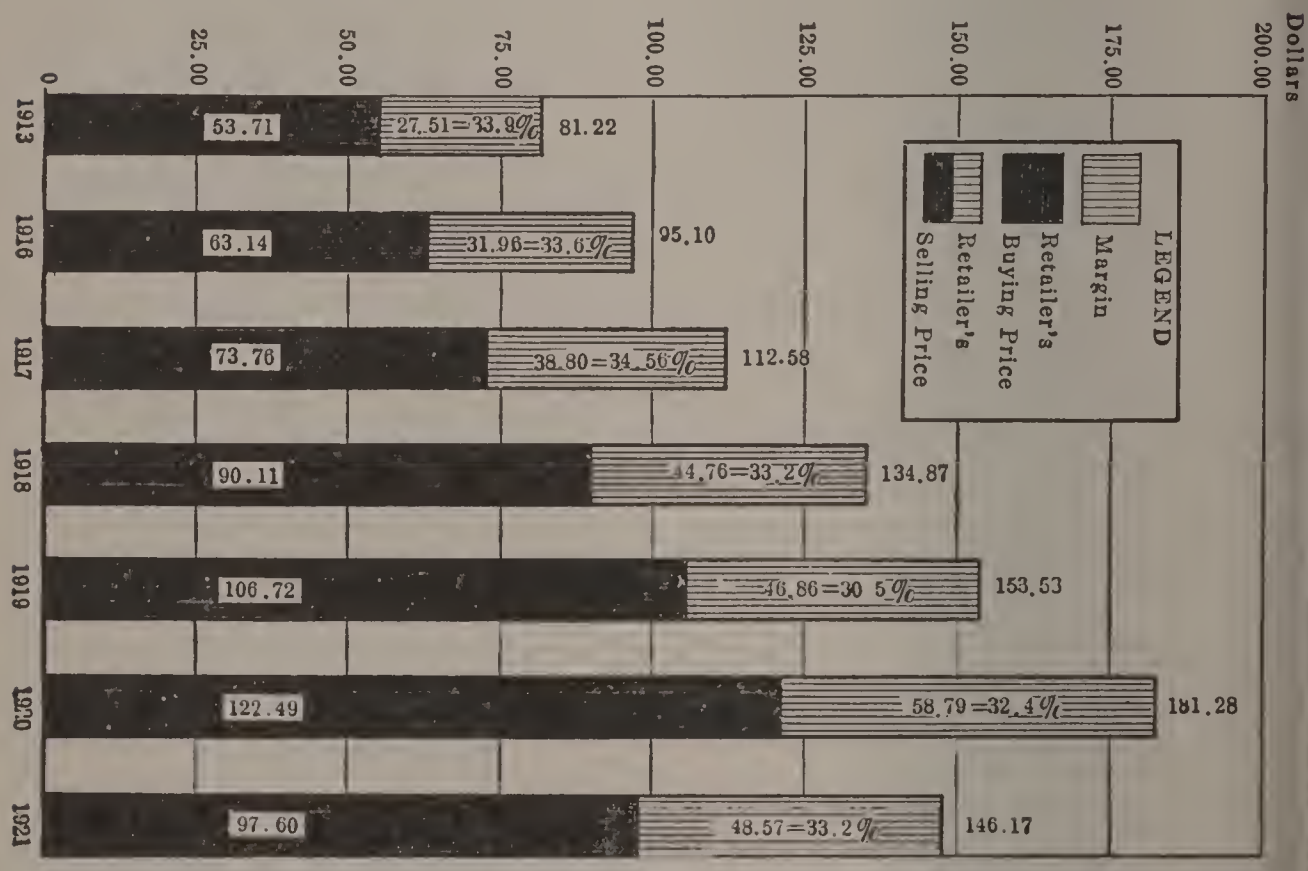
2. The large as contrasted with the small store purchases less each year relative to its sales; it has smaller inventories at the close of the year relative to sales; it has more rapid turns, larger gross margins, larger expenses, smaller profits on sales, but larger profits on investments in merchandise.

3. There are wide variations in the relation of purchases, inventories and expenses to sales, and in stock turnover in

stores of the same size. This suggests superior and inferior management.

Mark-up.—The margin between cost price of merchandise and the marked price at retail is the amount which is necessary to take care of expenses, reductions, unavoidable shrinkages, and most important of all, profits.

The percentage of mark-up, as determined by the Joint Commission of Inquiry, has not been, on the average, under



	1913	1916	1917	1918	1919	1920	1921
Cost of merchandise	53.71	63.14	73.78	90.11	106.72	122.49	97.60
Margin	27.51	31.96	38.80	44.76	46.86	58.79	48.57
Per cent	33.9	33.6	34.5	33.2	30.5	32.4	33.2
Selling price	81.22	95.10	112.58	134.87	153.58	181.28	146.17

FIG. 72.—Statistics showing mark-up, etc.

30 per cent (see Figs. 72 and 73). It reached 34.5 per cent in 1917. This percentage of mark-up is closely determined for individual stores by competition. Comparison shopping results in keeping mark-ups to a general average since it is impossible to maintain a store on a higher mark-up schedule than its competitors.

There are two methods of figuring mark-up. The first is based on sales, the second on cost. Either method may be used but it is fatal to attempt figuring on the basis of both.

For example, the following table shows differences in figuring percentages of profit on cost price and on retail price:

Per Cent Profit on Cost Price	Equals	Per Cent Profit on Selling Price
20		16.66
21		17.35
22		18.03
23		18.70
24		19.35
25		20
26		20.63
27		21.26
28		21.88
29		22.48
30		23.07
31		23.66
32		24.24
33⅓		25
34		25.37
35		25.92
36		26.47
37		27
38		27.54
39		28.06
40		28.57
41		29.08
42		29.57
43		30.07
44		30.55
45		31.03
46		31.50
47		31.97
48		32.43
49		32.88
50		33.33
52		34.21
54		35.06
56		35.90
58		36.71
60		37.50
62		38.28
64		39.02
68		40.46
70		41.17
75		42.86
80		44.44
85		45.94
90		47.36
95		48.71
100		50

Percentages other than those given can be closely approximated by reading between the lines. Thus 82 per cent in cost would be about 45 per cent on selling price.

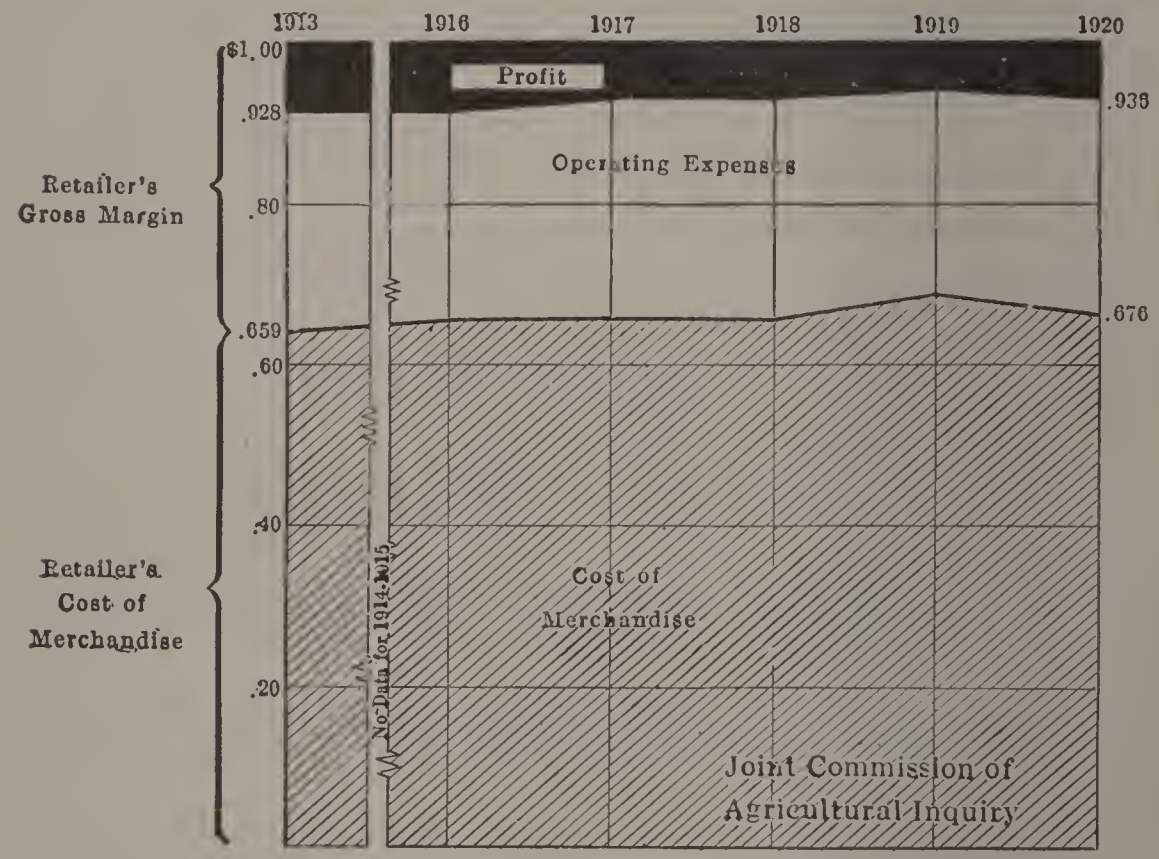
Figuring mark-up on sales is recognized as the most satisfactory method. The selling price is taken as 100 per cent. Cost of merchandise, cost of doing business, and net profit, must equal this 100 per cent.

The following example shows how the retail method works in actual practice.

Suppose an article costs $10. It is desired to find the correct selling price. Cost of doing business in this case is 25

per cent and a net profit of 5 per cent is desired. Therefore, 100 per cent minus 25 per cent, the cost of doing business, and 5 per cent, the net profit, is 70 per cent. This 70 per cent equals the cost of $10.

70 per cent equals $10
1 per cent equals 1/70 of $10 which is approximately $.143
100 per cent equals 100 times $.143 which is $14.30
The selling price, therefore, is $14.30



	1913 Cents.	1916 Cents.	1917 Cents.	1918 Cents.	1919 Cents.	1920 Cents.
Cost of merchandise..	65.90	66.40	66.50	66.80	69.50	67.60
Operating expenses...	26.90	26.30	27.40	27.30	25.60	26.00
Profit.....	7.20	7.30	6.10	5.90	4.90	6.40
Total.....	100.00	100.00	100.00	100.00	100.00	100.00

FIG. 73.—Consumer's dollar spent for dry goods.

Twenty-five per cent of the selling price which goes for cost of doing business is $3.58, while the 5 per cent profit is $.71.

The cost method of mark-up bases everything on calling the cost price 100 per cent. Cost of doing business and net profit must be based on cost of merchandise, a point at which frequent errors are made. As Walter Engard says:

The error usually comes from the fact that the merchant figures his cost of doing business and the net profit as a percentage of sales.

Then when figuring mark-up, he takes the cost of doing business per cent, as based on sales, adds to it the per cent of net profit as based on sales, and completely forgets that these figures are not based on the cost of merchandise as they should be. Therefore, the mark-up percentage is too small, for the sum figured as a percentage of the total sales always is smaller than the same sum figured as a percentage of the total cost of merchandise.

In the department store it is necessary to figure out the proper mark-up in every department, and perhaps in several lines in that department. The mark-up must be correct. If it is too high, customers are driven away because of better prices elsewhere; if too low, profits are eaten up by expenses. The following figures (*Dry Goods Reporter*) give some index of mark-ups in various departments:

TABLE VII.—AVERAGE MARK-UP IN EACH DEPARTMENT OF TEN STORES

Store No.	1	2	3	4	5	6	7	8	9	10
Dress goods	33	32	55	33½	35	31	33	33⅓	33⅓	32
Silks	35	35	A	33	A	35	39	34	35	32
Wash goods and linings	35	35	32	36½	34	35½	36	33⅓	33	35
Domestics, curtains, blankets	28	26½	22	23½	29	28	25	25½	26	26
Drug sundries, jewelry, leather goods	38⅛	40	38	38	33	X	38½	43	36	38
Ribbons	40	33	34½	34	30	37	34	33	33⅓	33
Laces, embroiderics, veilings, trimmings	40	38	38½	34	37	45	37	38	41	38
Handkerchiefs	30	33⅓	33	B	36	C	32	36	31	32
Gloves and mittens	33	35	D	37	33½	33	33⅓	30½	30	35
Hosiery	32	31	35	33	35	33	32	34	33	33
Knit underwear	35	33	30	33	32	33	33	34	32	30
Art goods	34	40	X	X	36	31	33	32	X	35
Coats, suits, skirts, dresses, blouses, sweaters, rain-coats, wash skirts	38	38	40	35	35	36½	39	35	38	37
Corsets	50	45	E	35	33½	35	39	E	E	42
Muslin underwear	36	33	30	33	34	33	37	33	33½	33
Infants' goods	38	37½	F	37	35	40	35	37	F	36
Shoes	33	32	X	X	32	X	34	32	X	32
Clothing	35	X	X	X	36	X	35	34	X	X
Men's furnishings	33	35	X	X	G	X	33	G	X	X

X Did not carry lines mentioned.
A Silks were included with dress goods.
B Handkerchiefs included with ribbons.
C Handkerchiefs included with gloves.
D Gloves included with hosiery.
E Corsets included with ready-to-wear.
F Infants' goods included with ready-to-wear.
G Men's furnishings included with clothing.

These figures represent the actual percentage of added dollars and cents between the invoice price and the marked retail price appearing on the tags, representing cost of doing business, theft, shrinkages in measures, and mark-downs.

The Cost of Doing Business.—The cost of doing business is the total of all items of expense. Payroll is inevitably the largest item of expense, but cost of doing business includes money spent for supplies and postage, insurance, advertising, rent, interest on capital borrowed, and also on capital invested. It does not include inward transportation charges or any special luxury taxes which are included in the cost of the merchandise.

The following table shows the operating expenses for 340 department stores as tabulated by the Harvard Bureau of Business Research with the cooperation of the National Retail Dry Goods Association:

TABLE VIII.—OPERATING EXPENSES IN DEPARTMENT STORES IN 1922—340 FIRMS

Net Sales = 100 Per Cent

	Common Figure (Per Cent)
Salaries and Wages	14.9
Rentals	2.3
Advertising	2.1
Taxes (Except on Buildings, Income, and Profits)	0.7
Interest (On Capital—Borrowed and on Capital—Owned)	2.6
Supplies	0.6
Service Purchased (Heat, Light, Power, Delivery)	0.7
Unclassified	1.0
Travelling	0.4
Communication	0.2
Repairs	0.2
Insurance	0.5
Depreciation—Losses from Bad Debts	0.3
Other Depreciation	0.5
Professional Services	0.1
Total Expense	27.1

Salaries and wages include those paid to executives, to selling departments, and to non-selling departments. In a separate analysis of 87 stores, the distribution of salaries and wages was found to be as follows:

TABLE IX.—SALARIES AND WAGES IN DEPARTMENT STORES IN 1922—87 FIRMS

Net Sales = 100 Per Cent

	Common Figure (Per Cent)
Administrative and General—Executive	1.4
Other Administrative	0.4
Office	1.4
Occupancy	0.9
Publicity	0.4
Buying	2.2
Receiving, Marking, and Stock Room	0.3
Inside Selling—Direct	6.0
Managers and Assistants	0.7
Indirect Selling	1.1
Delivery	0.6
Total Salaries and Wages	15.4

Rentals include amounts paid for rent of store, warehouse, and garage or stable. If the store owns any of these, a fair charge should be made. In the investigation twelve firms report rentals over 5 per cent of net sales. A large number grouped around 4 per cent, while the largest concentration was around 1.7 per cent of net sales.

Advertising includes expense for advertising space of all kinds, and also signs, catalogues, circulars, novelties, and displays. For a large group of firms, the advertising expense was less than two per cent.

Taxes cover city, county and state taxes on merchandise, equipment and capital stock.

Interest includes interest on capital borrowed and also net investment in the business exclusive of real estate. It is inter-

esting to note that in the investigation the figures for total interest varied inversely with the rate of stock-turn.

Owing to the great variation in the size of department stores, and the consequent fluctuation in operating expenses, the following table was prepared according to the volume of sales in 1922:

TABLE X.—OPERATING EXPENSES, GROSS MARGIN, NET PROFIT, AND STOCK-TURN IN 1922 IN DEPARTMENT STORES WITH NET SALES OF $1,000,000 AND OVER ACCORDING TO VOLUME OF SALES

Net Sales = 100 Per Cent

Items of Expense	$1,000,000–$3,999,000 (108 firms)	$4,000,000–$9,999,000 (29 firms)	$10,000,000 and over (14 firms)
Salaries and Wages	15.4%	15.4%	15.3%
Rentals	2.7	3.2	3.5
Advertising	2.9	2.9	3.2
Taxes	0.5	0.4	0.4
Interest	2.1	2.0	1.9
Supplies	0.9	1.4	1.2
Service Purchased	0.7	0.4	0.6
Unclassified	1.1	1.1	1.0
Traveling	0.4	0.4	0.4
Communication	0.2	0.3	0.2
Repairs	0.2	0.3	0.4
Insurance	0.4	0.3	0.3
Depreciation:			
Losses from Bad Debts	0.2	0.2	0.3
Other Depreciation	0.6	0.5	0.6
Professional	0.1	0.2	0.2
Total Expense	28.4	29.0	29.5

The common figure for salaries and wages was lowest for the firms with small volume of sales. The same is true of rentals and advertising. Taxes and interest, however, showed the opposite result.

Profits.—Gross margin is defined as the difference between net sales and the cost of merchandise sold, and represents the realization of the actual mark-up. From this the net profit must be secured after all expenditures have been met. Where

the total expenses exceed the gross margin the result is a net loss.

In 1921 the Harvard Bureau of Business Research found that the common figure for gross margin was 28.7 per cent of net sales. While there was some fluctuation, the majority of reports centered round this figure.

The common figure for net profits was 0.9 per cent of net sales for 1921, the stores with the smallest volume of sales showing a loss while the larger stores made a small profit.

Gross margin, as one store official says, is determined by two things—competition which holds it down and unavoidable expense which holds it up. If a store can underbuy or can cut down the cost of doing business, it can increase its margin of profit.

Suppose the ordinary store's cost of doing business is 25 per cent. Suppose, furthermore, that five per cent is charged for reductions. Then the difference between this and the price which can be got for the merchandise will be the profit. How much the store makes depends on the turnover. If the mark-up can be kept down and the turnover up, the profits will be reasonably certain to follow.

Turnover.—Turnover is a term glibly used and often misunderstood. Nevertheless, it is one of the vital factors in merchandising, particularly so in its relation to merchandise control and the resultant effect on profits.

Turnover in its ordinary application means turnover of stock and not of capital. The rate of turnover equals the number of times the stock turns during a given period, which is usually a year, but which may be a shorter period.

The failure of most people to understand turnover lies in its application. What may be an excellent rate of turnover for one product may not be for another. The first thing necessary to grasp about turnover is that it is different for almost every line of business. Furthermore, it is different for stores in the same line of business because turnover and its rate is made up of all the things which go towards merchandising effectiveness.

Table XI shows the highest, lowest, and average rate of turnover in department stores in twelve important lines grouped by Federal Reserve Districts, and tabulated by the

Table XI.—Rates of Department Store Turnover

	Federal Reserve Districts											
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7	No. 8	No. 9	No. 10	No. 11	No. 12
Colored Wash Goods												
Highest	7.30	6.60	4.80	9.60	5.18	5.20	4.60	3.16	4.19	2.70	3.66	3.75
Lowest	1.74	1.66	1.90	1.54	1.10	1.03	.74	.85	1.00	1.16	1.67	1.10
Average	3.61	3.99	3.13	3.76	4.11	3.08	3.54	3.45	3.88	2.15	3.16	3.10
Leather Goods												
Highest	5.90	11.52	4.40	7.25	7.19	7.80	8.20	4.17	7.73	4.40	6.40	4.94
Lowest	1.09	1.32	1.60	1.10	1.50	2.18	1.59	1.34	2.04	1.70	1.33	1.10
Average	4.22	3.42	2.74	2.85	3.60	3.34	2.81	2.32	3.18	2.76	4.30	3.01
Men's Clothing												
Highest	6.88	5.52	4.10	7.98	5.00	6.80	5.62	4.83	3.34	2.33	5.26	3.88
Lowest	2.00	1.33	1.49	1.16	1.40	2.20	1.16	.89	1.53	1.44	2.84	1.10
Average	4.14	3.05	2.72	2.98	2.81	2.84	2.45	3.00	2.15	2.04	3.91	2.22
Women's Coats												
Highest	17.26	14.19	11.50	14.20	13.75	14.00	12.20	9.81	14.34	10.00	8.25	12.04
Lowest	2.02	2.40	1.90	2.90	2.40	3.50	2.03	1.37	3.00	1.80	4.28	3.16
Average	5.55	5.62	4.50	5.69	5.00	4.84	5.10	5.05	5.16	3.40	5.38	5.70
Women's Dresses												
Highest	18.09	12.60	13.20	15.30	15.10	14.00	13.00	9.81	8.55	8.80	8.70	8.91
Lowest	2.02	2.57	1.90	2.88	2.90	2.7	2.03	1.37	3.48	1.80	5.22	2.06
Average	5.93	5.45	4.10	5.03	5.96	4.68	4.69	4.55	5.10	3.85	5.87	5.04
Millinery												
Highest	11.50	20.42	23.30	12.34	12.30	18.80	20.88	8.22	15.47	8.11	12.60	13.33
Lowest	1.15	3.90	4.20	3.20	2.60	6.44	1.40	2.80	4.25	3.91	2.82	2.23
Average	5.20	6.57	5.22	6.21	6.01	6.85	5.96	6.17	5.62	4.53	5.80	5.27
Aprons and House Dresses												
Highest	7.50	8.85	6.10	8.90	6.71	5.40	8.80	4.68	5.52	4.90	7.75	4.50
Lowest	1.11	1.82	1.65	.92	1.70	1.98	1.15	.87	1.58	1.50	2.15	.94
Average	4.61	4.20	3.25	3.55	3.65	3.13	3.40	2.17	3.50	2.95	4.12	2.86

Table XI.—Rates of Department Store Turnover

	Federal Reserve Districts											
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7	No. 8	No. 9	No. 10	No. 11	No. 12
Women's Shoes												
Highest	4.54	6.69	4.00	4.09	5.26	3.13	5.60	2.02	2.46	2.90	2.85	3.21
Lowest	1.14	1.40	1.20	1.00	1.30	1.83	1.02	.78	1.12	.80	1.50	.97
Average	2.63	2.45	2.07	2.20	2.61	2.56	2.25	1.50	1.65	1.71	2.18	2.14
House Furnishings												
Highest	9.52	4.41	7.00	2.69	3.10	3.43	3.98	4.43	3.94	2.65	3.90	3.39
Lowest	1.57	.80	.90	.83	1.20	1.18	1.14	.94	1.50	1.10	2.16	1.00
Average	2.64	2.32	1.83	1.70	2.27	2.18	2.23	1.81	2.30	1.92	3.10	2:13
Domestic Rugs												
Highest	5.29	5.43	4.00	7.10	4.92	4.00	5.00	4.95	6.62	3.90	2.43	5.21
Lowest	1.10	1.08	1.10	.78	1.53	1.27	.76	.94	1.28	1.03	.89	.61
Average	2.40	2.63	2.00	1.85	2.60	2.32	2.32	1.76	2.20	1.90	1.90	2.60
Art Wares												
Highest	4.50	3.50	4.00	3.25	2.50	2.73	3.53	3.41	.....	2.80	3.90	3.70
Lowest	.77	.60	3.00	.50	1.16	1.31	.94	.49	1.94	.96	1.41	.74
Average	2.88	1.90	3.50	1.80	1.98	2.10	2.07	1.70	1.94	1.50	2.67	1.81
Furniture												
Highest	3.46	4.19	4.40	3.21	3.30	2.80	3.48	2.14	4.37	.....	3.30	6.50
Lowest	1.21	.60	.84	.70	.80	1.15	.60	.....	1.15	1.30	.....	1.10
Average	2.27	2.33	1.93	1.87	2.05	1.88	1.83	2.14	2.48	1.30	3.30	2.21

This tabulation shows the highest, lowest and average rate of turnover in twelve important lines reported by representative department stores in the United States, grouped by Federal Reserve Districts. The figures afford the merchant a basis of comparison with the turnover statistics of his own store. Of course, the retailer whose store is consistently below the average as shown above cannot afford to feel satisfied with its past performances. There is a wealth of significance in these figures for those who read them right.

Controllers' Congress. The variations between different items and even between the same items are surprisingly great.

T. L. Blanke, director of the Controllers' Congress of the National Retail Dry Goods Association, says turnover figures should be figured monthly, or even weekly, or daily. This is not at all difficult provided the store operates under the retail inventory method. Annual turnover figures are worth

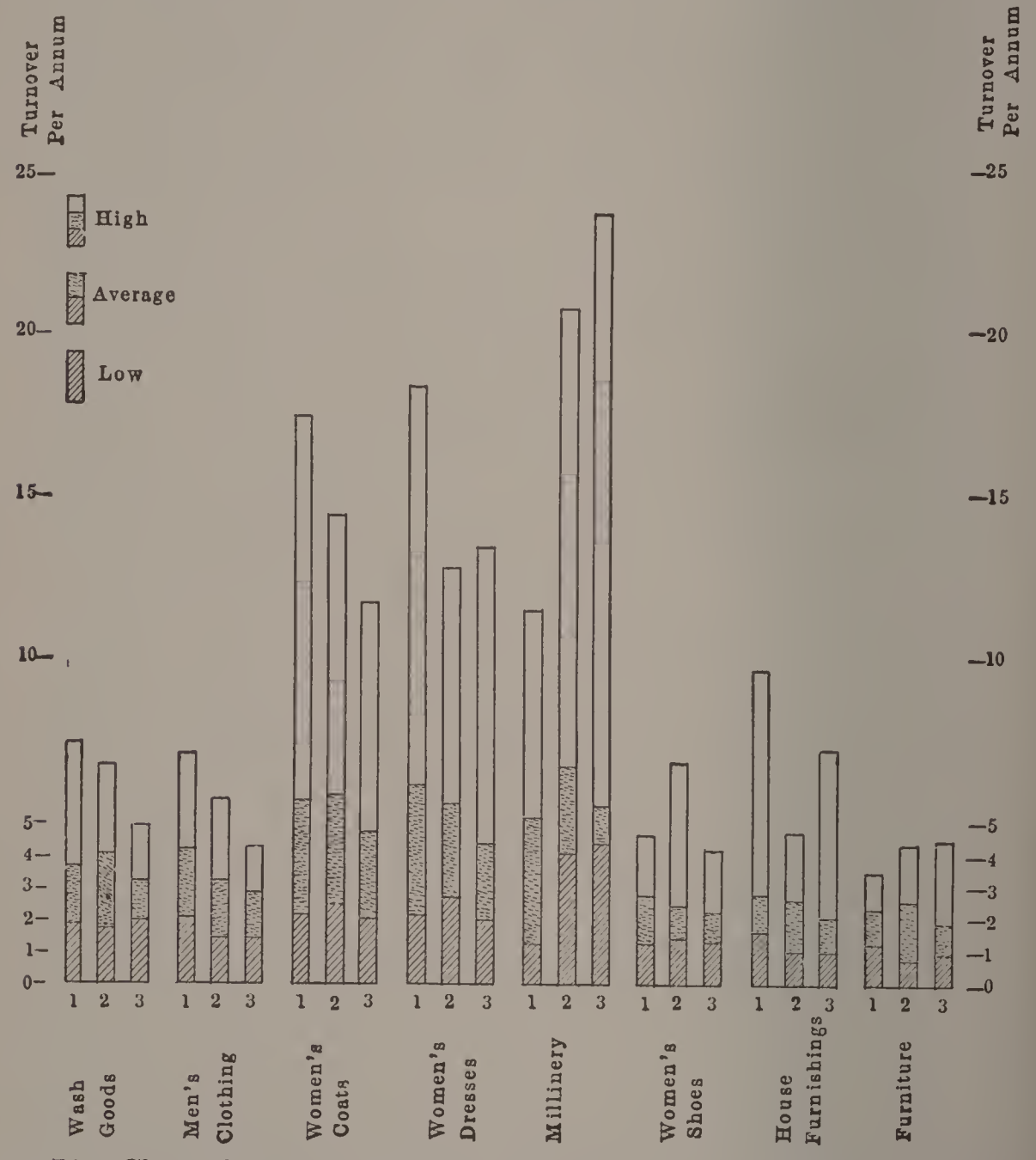


FIG. 74.—Chart showing differences in rate of turnover in different districts.

little because they come too late to correct errors in buying, and are taken when the stocks are low, consequently not representing average or normal conditions. The results are, therefore, distorted and the figures misleading.

Figure 74 shows graphically the differences in turnover existing in three Federal Reserve Districts in a selected group of articles sold in department stores.

Character of the Goods.—In all discussion of turnover the type of goods in question is all-important. Roughly speaking, all articles may be divided into luxuries and necessities, in accordance with the nature of the demand.

The demand for pure necessities—for matches, for salt, for those things without which life would be impossible, exceedingly difficult or even unpleasant—is essentially inelastic. That is, by cutting the price the consumption is not materially increased. In a grocers' cut price war the demand is not increased nor is the consumption increased. The one who sells at the lowest price gets trade from the others. Cutting prices is essentially unprofitable because nothing is gained in the way of increased markets and added clientele.

The demand for the pure luxury is elastic. The market is increased in direct proportion as the price is lowered. Cutting prices on luxuries does increase trade. Each successive cut brings the product within reach of a new group of potential customers.

For every type of article, whether necessity or luxury, there is a rate of turnover which may be termed "average." Each store learns these rates and on them charges the percentage of profit. If the mark-up is below the normal it is reasonable to expect that the turnover will increase, provided the nature of the demand has been estimated correctly.

Regularity of demand is another potent factor in turnover. It seems to be true that the more staple the article, that is, the more necessary it is, the larger the rate of turnover. In candy it is very rapid; in cut glass it is very slow. The following table shows annual turnover in certain departments, based on figures obtained by the National Retail Dry Goods Association (Table XII).

Number of Lines.—Too many price lines reduce turnover immediately. By concentrating on one line, less stock, a bigger and better assortment and more merchandising efficiency are obtained. It is one of the secrets of chain store success to pick the best sellers and concentrate.

Concentrating on price lines does not mean an incomplete stock. It does mean limiting stock to those articles which are in constant demand by the public. Above all, it is necessary

TABLE XII.—REPORT ON MERCHANDISE STOCK TURNOVER FOR THE YEAR 1921, AND FIRST SIX MONTHS OF 1922, SHOWING NUMBER OF TIMES TURNED

Department	Federal Reserve District								Average	
	1		2		3		4			
	1921	1922	1921	1922	1921	1922	1921	1922	1921	1922
Colored Silks	2.43	1.56	2.58	2.02	2.26	1.19	2.67	1.32	2.48	1.52
Black Silks	2.35	1.56	2.58	2.02	2.26	1.19	2.48	1.30	2.41	1.51
Velvets	2.37	1.17	2.52	2.15	2.26	1.19	2.52	1.33	2.41	1.46
Black Dress Goods	2.39	1.33	2.47	1.36	2.05	.81	2.24	1.03	2.28	1.13
Colored Dress Goods	2.37	1.23	2.56	1.36	1.95	.82	2.17	.94	2.26	1.08
Patterns	2.18	1.23	2.03	1.00	2.12	1.00	2.49	1.13	2.20	1.09
Linings	4.13	1.65	3.14	1.73	3.08	1.53	2.59	1.20	3.23	1.52
White Wash Goods	3.42	1.64	3.66	1.63	2.90	1.40	3.30	1.66	3.32	1.64
Colored Wash Goods	3.61	1.62	3.99	1.72	3.13	1.62	3.76	1.78	3.84	1.68
Linens	2.64	1.23	2.85	1.56	2.40	1.22	2.45	1.06	2.58	1.26
Cottons and Sheetings	3.75	1.67	3.75	2.00	2.08	1.37	3.20	1.43	3.19	1.61
Blankets and Comforts	3.36	1.43	3.42	1.44	3.13	1.31	2.84	1.13	3.18	1.32
Laces	2.07	1.08	2.02	1.07	1.86	1.08	1.56	.76	1.87	.99
Trimmings	2.15	1.13	2.41	1.48	1.65	.78	1.63	.78	1.96	1.04

Embroideries	2.42	1.23	2.31	1.05	2.18	1.00	1.69	.87	2.15	1.03
Neckwear	3.07	1.61	3.25	1.86	2.96	1.49	2.92	1.61	3.05	1.64
Veilings	2.99	1.39	2.40	1.46	2.59	1.15	2.56	1.30	2.63	1.32
Ribbons	2.39	.97	2.48	1.25	2.13	.87	1.99	.93	2.24	1.00
Notions	3.62	2.00	3.64	1.83	2.79	1.45	2.77	1.24	3.20	1.63
Toilet Articles	3.66	1.60	3.33	1.76	2.89	1.23	2.39	1.25	3.06	1.46
Ivory	3.46	1.60	3.23	1.72	2.78	1.10	2.58	1.37	3.01	1.44
Drugs	3.41	1.66	4.05	2.37	2.86	1.20	2.60	1.41	3.23	1.66
Handkerchiefs	2.68	1.16	3.41	1.13	2.27	.61	2.46	.95	2.70	.96
Silverware	1.91	.86	2.33	1.10	1.80	.87	1.82	.69	1.96	.88
Jewelry	2.03	.99	2.32	1.22	2.66	1.01	2.00	.95	2.25	1.04
Leather Goods	4.22	1.53	3.42	1.41	2.74	1.06	2.85	1.47	3.30	1.36
Umbrellas, Parasols and Canes	4.62	1.80	3.51	1.65	2.98	1.28	4.33	1.37	3.86	1.52
Art Needlework	3.23	1.16	3.04	1.33	2.80	1.05	2.63	1.04	2.92	1.14
Art Goods	2.98	1.08	2.16	1.34	2.85	1.17	2.37	1.07	2.59	1.16
Men's Clothing	4.14	2.06	3.05	1.78	2.72	1.37	2.98	1.69	3.22	1.72
Robes and Smoking Jackets	3.98	1.59	2.90	1.35	2.46	1.24	2.77	1.36	3.02	1.38
Men's Furnishings	2.92	1.24	2.74	1.11	1.76	.96	3.17	1.32	2.64	1.15
Men's Hats and Caps	2.88	1.20	2.74	1.50	2.30	1.17	3.12	1.59	2.76	1.36
Boys' Clothing	3.63	1.60	3.23	1.69	2.01	.97	2.92	1.59	2.94	1.46
Boys' Furnishings	3.74	1.59	3.24	1.83	2.06	.96	2.88	1.42	3.23	1.45
Boys' Hats and Caps	3.84	1.80	3.35	1.55	2.06	.95	2.83	1.57	3.02	1.46
Women's Coats	5.55	4.51	5.62	3.99	4.50	2.48	5.69	3.23	5.34	3.55
Women's Suits	5.86	3.29	5.32	3.80	3.70	2.62	4.86	3.06	4.93	3.19
Women's Skirts	5.42	3.17	5.16	3.66	3.93	2.55	4.52	2.66	4.75	3.01
Women's Dresses	5.93	3.22	5.45	3.64	4.10	2.71	5.03	2.85	5.12	3.10

TABLE XII.—REPORT ON MERCHANDISE STOCK TURNOVER FOR THE YEAR 1921, AND FIRST SIX MONTHS OF 1922, SHOWING NUMBER OF TIMES TURNED.—*Continued*

Department	Federal Reserve District								Average	
	1		2		3		4			
	1921	1922	1921	1922	1921	1922	1921	1922	1921	1922
Women's Stouts	4.71	2.93	4.87	3.37	3.45	2.07	4.58	2.50	4.40	2.71
Misses' Coats	5.94	3.50	5.80	3.69	3.70	2.22	5.25	2.79	5.17	3.05
Misses' Suits	5.98	3.15	6.60	3.63	3.70	2.49	4.96	3.09	5.06	3.09
Misses' Skirts	5.23	2.58	5.62	3.61	3.58	2.26	3.82	2.17	4.56	2.65
Misses' Dresses	5.53	3.09	5.44	3.40	3.26	2.13	4.58	2.92	4.70	2.88
Furs	2.95	1.23	4.07	2.96	3.36	1.28	2.70	1.15	3.27	1.65
Juniors' and Girls' Coats	4.18	2.75	5.57	3.51	3.30	2.18	3.00	1.82	4.20	2.56
Juniors' and Girls' Suits	4.16	2.47	5.10	3.47	3.30	1.92	3.76	2.14	4.08	2.50
Juniors' and Girls' Skirts	4.16	2.47	5.04	3.44	3.30	2.15	3.80	1.92	4.07	2.49
Juniors' and Girls' Dresses	6.26	3.24	5.16	3.34	3.30	2.29	3.92	1.95	4.41	2.70
Waists and Blouses	4.50	2.61	4.73	2.98	3.68	1.91	2.79	2.17	3.92	2.41
Sweaters and Knit Goods	4.04	2.83	4.32	2.32	3.85	2.32	4.56	2.40	4.19	2.46
Sports Wear	3.16	2.50	3.72	3.90	3.55	1.85	2.88	2.30	3.32	2.63
Millinery	5.20	3.16	6.57	4.63	5.22	3.30	6.21	3.83	5.80	3.73

Ladies' Gloves	2 30	1 20	2 25	.97	1 78	62	1 92	88	2 06	.91
Children's Gloves	2 23	1 24	2 34	95	1 74	61	1 84	85	2 03	91
Corsets and Brassieres	3 92	1 91	3 92	1 93	2 82	1 48	2 51	1 46	3 29	1 69
Ladies' Hosiery	4 00	1 96	3 96	1 95	3 67	1 59	3 41	1 63	3 76	1 78
Children's Hosiery	4 00	1 82	3 67	1 97	3 53	1 43	3 64	1 48	3 71	1 67
Knit Underwear	3 45	1 37	2 93	1.39	2 00	1 02	2 10	.96	2 62	1.18
Muslin Underwear	3 44	1 26	3 47	1 97	1 57	1 31	2 54	1 37	2 75	1 47
Bathing Suits	4 24	2 40	4 50	3 31	1 85	1 32	4 02	2.17	3 65	2 30
Infants' Wear	2 46	1 41	3 14	1 56	2 36	1.21	2 49	1 20	2 61	1 34
Petticoats	3 97	2 46	3 30	2.10	3 62	2 20	3 19	1.91	3 52	2.16
Negligees	4 27	2 08	3 50	2 04	2 76	1.77	3 40	1 83	3 48	1.93
Aprons and House Dresses	4 61	2 06	4 20	2 43	3 25	1 83	3 55	1.90	3 90	2.05
Women's Shoes	2 63	1.36	2 45	1.65	2 07	1.07	2 20	1 13	2 33	1.30
Children's Shoes	2 47	1.35	2.66	1.47	1 97	.91	2.21	1.05	2 32	1.19
Men's Shoes	2 25	1 26	1 85	.97	1 53	.94	1.85	1.02	1.87	1.04
Boys' Shoes	2.45	1 32	2 00	1 07	1 54	.94	1.72	.87	1.92	1 05
Shoe Repairs	.....	.....	1 80	.80	.....	.....	3 20	1 90	2 50	1 35
Furniture	2.27	1.27	2.33	1.16	1.93	1.18	1.87	1 03	2 10	1 16
Beds, Mattresses and Springs	2.33	1 22	4 00	2 97	2 50	1.63	1 95	1 38	2 69	1.80
Oriental Rugs	2 49	1.40	1.84	.83	1 52	91	1 69	89	1 88	1 00
Domestic Rugs	2 40	1.27	2.63	1.09	2.00	1.21	1 85	1 22	2 22	1 19
Carpets	2.40	1 20	2 25	1 00	2 10	1.14	1.74	1 07	2 12	1 10
Linoleums and Mattings	2 45	1 20	2 47	1.25	1 97	1 13	2 02	1 14	2 22	1 18
Draperies	2 60	1.36	2.56	1.28	2 17	1 03	2 32	1.10	2 41	1.19
Lamps	2.49	1.30	2.87	.88	2.28	1.10	1 93	1 07	2 39	1 08
Shades	2.29	1 11	2.33	94	2 01	98	1 98	1 18	2 15	1.05

TABLE XII.—REPORT ON MERCHANDISE STOCK TURNOVER FOR THE YEAR 1921, AND FIRST SIX MONTHS OF 1922, SHOWING NUMBER OF TIMES TURNED.—*Continued*

Department	Federal Reserve District								Average	
	1		2		3		4			
	1921	1922	1921	1922	1921	1922	1921	1922	1921	1922
Art Wares	2.88	1.17	1.90	.88	3.50	2.00	1.80	.63	2.52	1.17
Decorating	3.40	1.40	1.77	.77	1.70	.80	1 53	.89	2.10	.96
Wall Paper	2.17	1.26	1.56	.80	2.53	1.60	1.58	.96	1.96	1.15
China and Glassware	2.00	.91	1.79	.95	1.62	.72	1.10	.50	1.62	.77
House Furnishings	2.64	1.27	2.32	1.33	1.83	1.33	1.70	1.17	2.12	1.27
Picture and Picture Framing	2.07	1.01	2.27	1.02	1.58	.92	2.76	1.26	2.17	.80
Sewing Machines	2.50	.90	2.46	1.10	2.00	1.15	2.15	1.40	2.27	1.13
Electrical Equipment	1.68	1.00	1.88	.92	1.56	.95	1.83	.53	1.73	.85
Toys	3.03	1.14	2.31	.71	1.85	.55	1.83	.53	2.25	.73
Sporting Goods	3.12	1.32	2.88	1.08	2.30	.90	2.36	1.08	2.66	1.08
Camera Supplies	1.67	1.02	3.27	1.43	2.30	.80	2.27	.83	2.37	1.02
Luggage	3.50	1.68	2.46	1.45	1.96	.87	2.12	.99	2.51	1.24
Automobile Supplies	4.10	1.60	2.16	1.50	2.50	1.48	4.80	1.50	3.39	1.52
Books and Magazines	2.55	1.18	2.67	1.12	2.04	.88	2.20	.97	2.36	1.03

Stationery	2.86	1.12	2.95	1.22	2.42	.97	2.16	.88	2.59	1.04
Talking Machines	1.37	.95	2.25	1.01	1.37	.82	2.01	.72	1.75	.87
Records and Rolls	1.37	.90	1.80	.67	1.70	.86	2.31	.78	1.79	.80
Pianos and Piano Players	3.30	2.50	2.05	.65	1.55	.90	1.60	.70	2.12	1.18
Sheet Music	1.90	1.70	2.26	1.63	.....	.....	.....	.....	2.08	1.66
Washing Machines	2.30	1.44	1.76	1.24	1.90	.86	2.10	1.12	2.01	1.16
Vacuum Cleaners	2.06	1.20	2.45	1.80	1.77	1.30	2.16	1.63	2.11	1.48
Optician and Optical Goods	.....	.....	3.50	1.45	2.40	1.15	.....	.....	1.47	.65
Candy	11.47	4.15	10.15	4.37	10.18	4.05	6.93	4.26	9.68	4.20
Soda Fountain	33.33	19.36	34.33	12.00	19.86	7.16	10.75	6.60	24.56	11.28
Restaurant	45.13	28.10	44.00	18.33	18.20	6.00	11.52	6.80	29.71	14.80
Basement Store:										
Coats	12.70	8.00	16.75	8.66	6.70	4.20	7.12	5.02	10.81	6.47
Suits	12.37	8.47	11.75	7.80	8.10	5.62	6.94	4.87	7.29	6.69
Skirts	15.07	9.35	12.60	7.80	5.10	4.00	6.47	3.96	9.80	6.27
Dresses	13.55	7.52	10.50	7.50	11.35	6.40	6.86	4.95	10.56	6.59
Waists	10.80	6.95	10.50	9.60	3.60	.....	4.61	3.01	7.37	4.89
Corsets	8.47	5.60	10.50	5.15	2.50	1.00	3.22	2.23	6.17	3.49
Hosiery	4.20	2.63	7.50	6.90	.....	.....	3.60	2.18	5.10	3.90
Knit Underwear	10.50	5.55	7.50	3.20	.....	.....	4.26	3.18	5.56	3.97
Muslin Underwear	11.85	6.72	10.75	4.80	.....	.....	4.68	3.24	9.09	4.92
Children's Wear	14.80	7.76	7.50	5.10	8.30	3.30	3.96	2.36	8.64	4.63
Millinery	17.86	11.56	.....	.....	.....	.....	6.43	4.83	12.14	8.19
Small Wares	6.30	4.35	7.00	.....	.....	.....	2.90	1.86	5.40	3.10
Shoes	15.40	8.00	5.50	3.60	4.20	2.05	4.38	2.83	7.37	4.12
Piece Goods	2.30	1.63	6.75	5.20	2.05	1.95	2.50	1.00	3.40	2.44
Draperies	1.02	1.07	6.00	4.50	.....	.....	3 20	1.25	3.34	2.27

not to lose sales, but if there is no call for an article it is foolish to put it in stock merely to have a complete line.

The number of lines, therefore, should correspond to the demand, which will be more or less determined by store policy.

National Advertising.—National advertising does create demand, and is admittedly a factor in the problem of turnover. It frees the store of much of the necessity of publicity for certain articles by carrying a nationally advertised line. It does not, however, allow the manufacturer to raise the price beyond the intrinsic value of the article sold. Department stores have constantly held out for the privilege of selling articles which they buy for the price they think they are worth. That is, national advertising cannot create demand for articles unless the merchandise back of it is worth the price asked.

National advertising does have a very vital effect on turnover because it can increase certain well-known lines. Consequently, exclusive agencies for such lines may prove very valuable concessions.

Local Advertising.—One, if not the most important, effect of local advertising by the store is to increase turnover. This subject is treated fully in the following chapter.

Overloading.—Control of turnover means doing away with one of the worst inefficiencies still existing in retail merchandising. As Congressman Sydney Anderson, chairman of the former Congressional Joint Commission of Agricultural Inquiry in the Commission's report on distribution, says:

> One of the outstanding defects shown by tables of distribution is the retailer's failure to purchase stock in a manner that will provide a steady, even flow of merchandise to the consumer without accumulation of surplus stock, which ties up capital and credit and adds to his cost of operation. One of the factors of waste in distribution is in idle merchandise stock on the shelves of the retailers and the warehouses of the wholesalers. When this burden is permitted to develop, it must be passed along to the consumer if the retailer remains in business.
>
> In particular, overstocking by retailers represents over-stimulation and over-selling by manufacturers and wholesalers. It also represents in part the dealer's desire to secure quantity discount in the belief that he can more successfully meet competition by underselling

competitors. In order to do this, however, he must dispose of merchandise in reasonable time or lose the earning value his capital would have if it were more rapidly turned.

Figure 75 shows the retail dry goods stock turn from 1913 to 1920 as prepared by the Joint Commission of Agricultural Inquiry. It is designed to show:

1. Gross margins received, that is, the difference between the selling price and the cost of the merchandise.

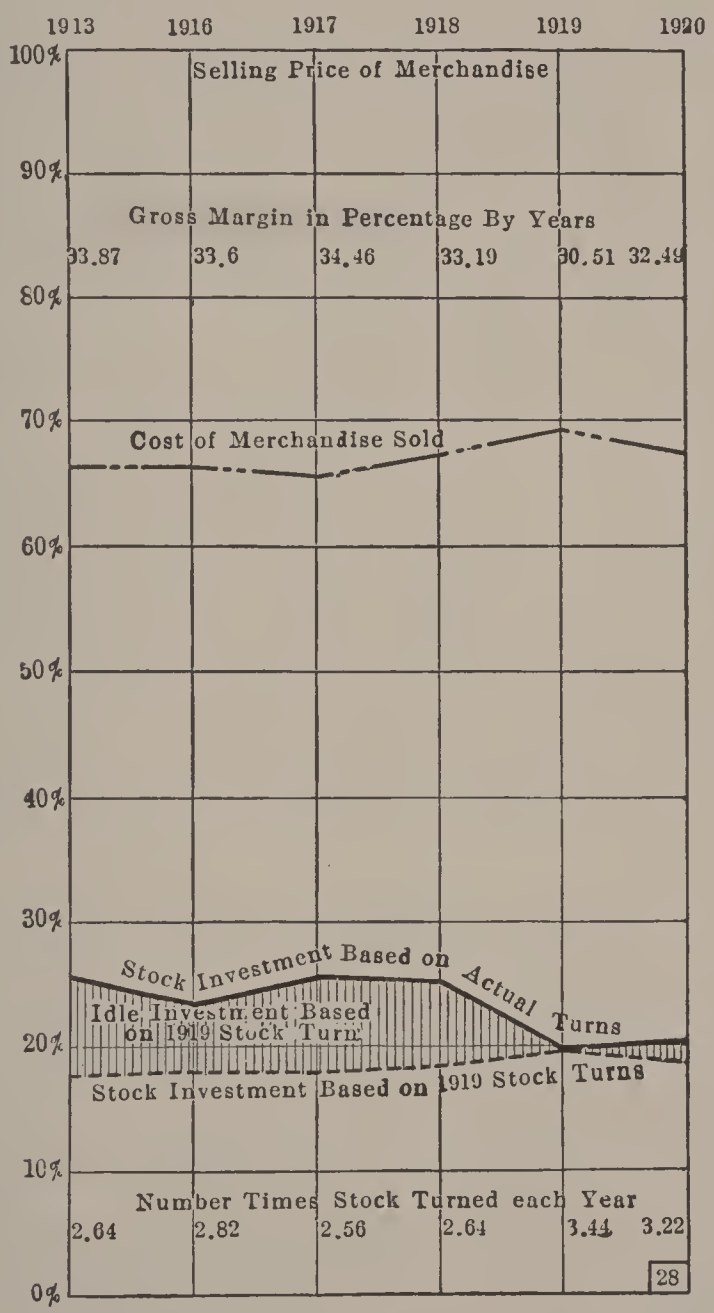


FIG. 75.—Chart of dry goods stock turn.

2. The cost of the merchandise delivered at the retailer's door.

3. The amount of stock investment.

4. The stock turn figured, that is, number of times merchandise stock is turned per year.

5. Amount of stock investment which would have been required to maintain stock equal to the highest frequency shown during the period covered by this investigation.

To all practical intents this chart shows to what extent stores are inclined to overload whether through desire to take advantage of quantity discount or free deals.

Increasing Turnover.—Increasing turnover means quicker sales. It may be brought about in either of the following two ways:

1. The first method is to reduce the stock carried and maintain or increase the sales volume. That is, if the volume is maintained, the same profit is made from a smaller investment. If $10,000 is invested in stock which turns twice during the year, it is not so good as though $5,000 were invested in stock which turns four times a year. In the second case, the same profit is made on $5,000 as was formerly made on $10,000. The most frequent cause for such a condition is overloading. The merchant with an ill-balanced stock is in a bad condition because he has money uselessly tied up which otherwise might be working for him. Stock control is essential for speed in turnover, and stock control can only be obtained by an adequate inventory system.

If the sales volume is increased while, at the same time, the stock carried is decreased, there is a larger profit from a smaller investment.

2. The second method is to increase the volume of sales in proportion to the stock carried.

Sales volume may be increased by:

a. Using better merchandising methods.

b. Cutting prices.

The aim of every progressive merchant is to install better merchandising methods, to use advertising, to train the salesforce, etc. It is a sound and permanent method of building up good will and enlarging the number of store customers.

Cutting prices is also a legitimate method of increasing turnover provided it takes place under certain conditions.

The question of the loss leader or the staple article featured at a cut price to attract sales cannot properly be discussed under turnover. The factors entering into such questions are

more complex. Against any actual loss from the increased turnover in the staple advertised article, it is necessary to set off the increased turnover in some slower moving and higher priced article due to the price bait of the loss leader.

Increased turnover, to sum up, may bring more profits, when rightly handled, in the following ways:

1. Same profit from smaller investment.
2. Larger profit from same investment.
3. Larger profit from larger investment.

That is, the increase in turnover means a decrease in proportion of capital invested and profits.

Losses Due to Slow Turnover.—The Chamber of Commerce of the United States has spent much time, through the Domestic Distribution Department, in studying merchandise turnover, and has tabulated carefully the elements in which losses due to slow turnovers may be found. It concludes as follows:

1. Investment. Invested money is the source of profit which in turn depends upon the amount of goods in stock and upon the length of time which these goods are carried. It is evident that to double the turnover comes to the same thing as doubling the amount of stock without increasing the investment. Or, vice versa, one-half as many turnovers results in doubling the amount of money invested for the same quantity of goods.

2. Interest. Interest must be paid upon all borrowed money and most merchants are borrowers. If the turnover is reduced from a period of six months to one of three months, the interest on a given loan is reduced in the same proportion.

3. Mark-down. Mark-downs are required for three principal reasons:

a. The goods have proved unsalable at the original mark-up.
b. Too many were bought and a change in the style or season has left some of them on the shelves—
c. With the result that they have been soiled, chipped, bent, or defaced otherwise by frequent handling.

4. Salaries and wages. Salaries and wages must be included because every operation in every establishment costs

something. When an unprofitable operation is performed it represents a loss. Roughly these losses are due to:

a. Waste of time by management in reaching decisions as to when and what mark-downs are to take place.

b. Waste of time by sales force.

c. Re-writing tickets.

d. Rearranging goods for mark-down sales.

5. Shelf or storage room. Shelf or storage room is a definite part of the expense of doing business; and that portion which is devoted to slow-selling merchandise is wasted.

6. Prestige-reputation. Prestige for the high character or timeliness of merchandise is sought by most stores. There is a distinct waste measurable in dollars and cents when the reputation of an establishment is lowered by unstylish or shopworn goods.

7. Inefficiency. Inefficiency always results in waste. The buyer whose judgment often is wrong usually makes the mistakes from lack of knowledge as to the stock and the speed or slowness with which it is moving. Frequent mistakes cause uncertainty in the mind of the one who makes them and tend to worse errors as time goes on unless some measures are taken to make them improbable.

Calculating Turnover.—Stock turnover may be calculated by either of the following two methods:

1. By dividing the average inventory at retail for the period under consideration into the sales for the same period.

2. By dividing the average inventory at cost into the cost of sales.

The first, or so-called retail method, is endorsed by the Controllers' Congress of the National Retail Dry Goods Association.

The average inventory is obtained by adding together the total amounts of all inventories recorded, including the initial inventory, and dividing the figure resulting by the number of inventories recorded. If inventories are taken weekly, the annual inventory would be obtained by adding together initial inventory and weekly inventories, and dividing by fifty-three. If inventories are taken monthly, the initial and monthly inventories would be added together and divided by thirteen.

Generally speaking, the greater the turnover, the less the

total expense and the greater the net profit. This is evidenced by the figures compiled by the Harvard Bureau of Business Research, for 1922:

TABLE XIII.—OPERATING EXPENSES, GROSS MARGIN, AND NET PROFIT IN 1922 IN DEPARTMENT STORES WITH NET SALES OF $1,000,000 AND OVER, ACCORDING TO RATE OF STOCK-TURN
Net Sales = 100 Per Cent

Items of Expense	Stock-turn less than 3 times (49 firms)	3–3.9 times (43 firms)	4 times and over (57 firms)
Salaries and Wages	16.0%	15.3%	14.9%
Rentals	3.2	2.5	2.9
Advertising	2.9	3.0	2.8
Taxes	0.7	0.5	0.4
Interest	2.7	2.1	1.7
Supplies	1.1	1.0	0.9
Service Purchased	0.7	0.6	0.6
Unclassified	1.1	1.0	1.1
Traveling	0.4	0.3	0.4
Communication	0.2	0.3	0.2
Repairs	0.2	0.2	0.3
Insurance	0.4	0.4	0.3
Depreciation:			
Losses from Bad Debts	0.2	0.2	0.2
Other Depreciation	0.7	0.6	0.5
Professional Services	0.2	0.1	0.1
Total Expense	30.7	28.1	27.3
Gross Margin	32.7	31.5	31.8
Net Profit	2.0	3.4	4.5

This seems to indicate that the net profit increases with the turnover while the total expense decreases. This conclusion is made clear by the results of the Harvard computation that department stores in 1922 made a profit of 0.9 per cent of net sales, compared with average loss of 1.9 per cent in the retail shoe trade, 6.6 per cent in the retail jewelry trade, and 1.9 in the wholesale grocery trade. The report goes on to say:

Of these four trades, the department stores were the only group that showed an average net profit, even though small, for the year 1921. This apparently was due, in large measure, to the fact that the department stores showed an average increase in volume of sales, whereas in the other trades there was an average decrease in the volume of sales in 1921 as compared with 1920.

CHAPTER XXVIII

ADVERTISING

Successful advertising by retail stores is usually conducted according to careful policy determined by the character of the business. If the store carries lower-priced merchandise, the advertising policy naturally will be to advertise in those media which reach the masses, and the copy must be written with popular likes and dislikes in view. If the store sells on a quality basis, the advertising naturally will conform in make-up and media used. If, however, the store sells to all classes of people, the advertising will be less individual than the quality advertising and less sensational than the mass advertising.

The Advertising Department.—The ordinary retail store prepares its own advertising. The department store, the dry goods store, the clothing store, and the shoe store all advertise in newspapers. The larger establishments have very complete and efficient advertising departments. Figure 76 shows the organization of the publicity department in Halle Brothers Company, Cleveland. This is typical of the larger stores, all publicity activities being centralized under the advertising manager.

A large part of the advertising department's success is determined by the degree of cooperation between the advertising manager and the buyer. Only through coordination can the knowledge of the goods possessed by the buyer receive adequate treatment by the advertising knowledge of the advertising manager. Frequently the buyer will wish to have the advertising department sell goods which are not suited to the demand. Such a situation requires tactful handling. Although, in general, the buyer is supposed to furnish selling ideas, the actual help received varies greatly with the individual buyer. Some will go so far as to write the copy and lay out the advertisement. Others will merely tell the advertising

manager what they consider the salient points of the merchandise to be sold and from his general merchandising knowledge he will prepare the advertising.

Many stores take the stand that the advertising department should decide not only as to how things are advertised, but as to what is advertised. Since what is advertised is the most important thing in any advertisement, the choice may be made an advertising department function.

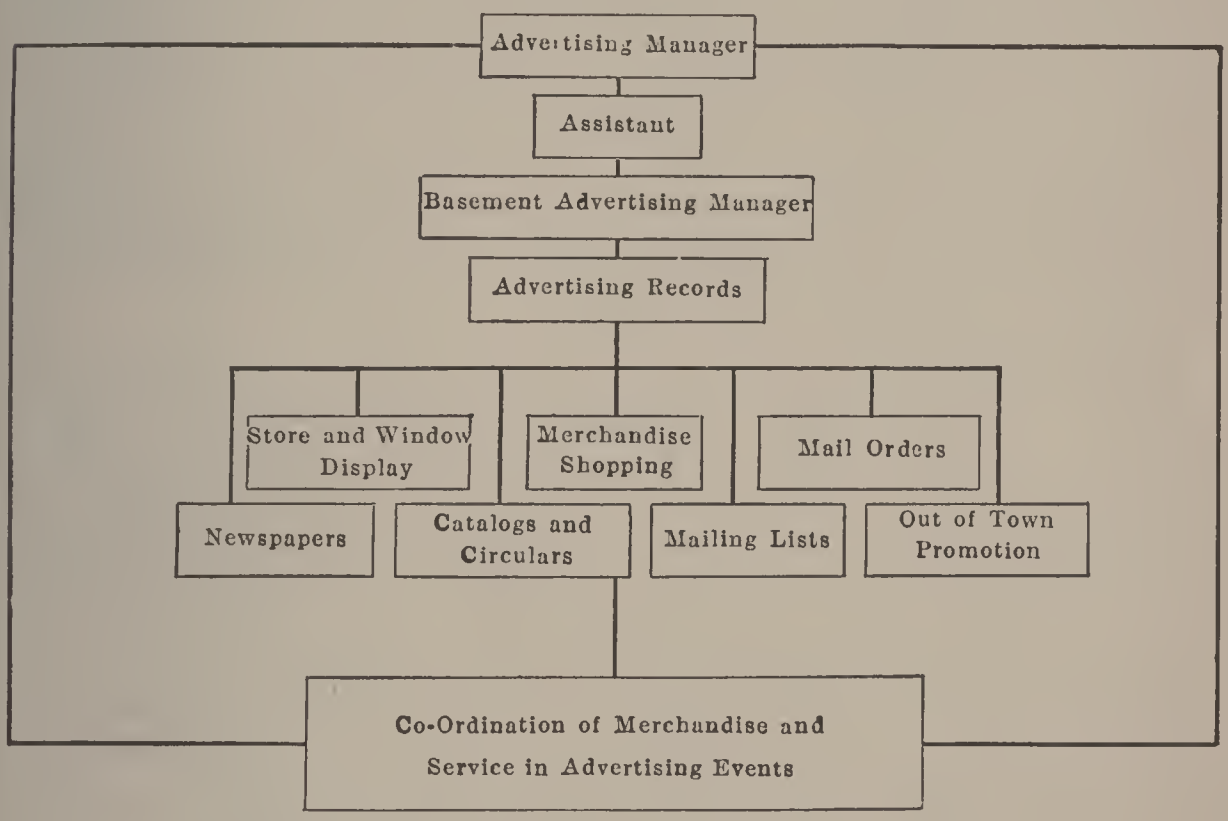


FIG. 76.—Organization of a publicity department.

Reducing the operation of the advertising department to a standard system is exceedingly important. There is no other way of placing responsibility. Gimbel Brothers, New York, on the back of the copy form used by buyers, has printed the following instructions:

1. All data for advertising must be furnished to the Advertising Bureau in written form, using only the regulation pink advertising copy sheets, of which this is one. In addition, however, you may confer with the Advertising Director or Writers concerning the interest features of any advertising matter.

2. When goods are reduced, Gimbel's former prices must be stated and reasons for the reductions.

3. In case of "special purchase" merchandise, give in detail the actual facts of the purchase and the average (but conservative) selling prices elsewhere.

4. The quoting of comparative values is to be avoided, except in positively verified instances always subject to omission by the Advertising Bureau.

5. The policy of Gimbel's is to fill mail, telephone, and C.O.D. orders. If for any legitimate reason you cannot do so, state reason—the item being subject to rejection by the Advertising Bureau.

6. All requests for advertising must be signed by the Buyer or Assistant Buyer.

In this store advertisements are checked against goods on sale and it is ascertained in this way whether merchandise is exactly as advertised.

Advertising Appropriations.—The question of how much should be set aside for advertising purposes is always important. Conditions vary and hard and fast rules are fatal. The department store in a small community may spend 2 per cent of its rate volume and upwards for advertising. The successful store may spend 3 per cent. The store which is not making money may have to spend as high as 10 per cent to secure an adequate volume of sales on which profits may be secured. A new store will also find it necessary to increase its appropriation temporarily until the needed volume is obtained.

S. L. Silverstein, of the Rosenbaum Company, Pittsburgh, estimates that the average department store budget for advertising will approximate 2½ per cent for the entire store. Supposing that each department is operating successfully, Table XIV shows the percentage of sales to be used in advertising under normal conditions.

A successfully operating department not only makes money but shows a reasonable, steady increase in volume of business. If a department is not operating satisfactorily, it is first necessary to figure out the volume of business required to put it on a paying basis. By deducting the amount of business already done from the amount it is necessary to do in order to make a profit, the amount of increase to be secured is determined. Mr.

TABLE XIV.—PERCENTAGE OF SALES USED IN ADVERTISING

	Per Cent
YARD GOODS AND ACCESSORIES	
Silks and Velvets	1½
Dress Goods	2
Wash Goods	2
Laces and Embroideries	1½
Ribbons	1½
Trimmings	1½
Notions and Dressmakers' Supplies	1
WOMEN'S AND CHILDREN'S READY-TO-WEAR	
Women's and Misses' Suits	3
Women's Dresses	3
Girls' Apparel	3½
Women's and Misses' Coats	2
Shoes	2½
Waists	3
Separate Skirts	3
Millinery (in season)	2½
Petticoats	2½
Lingerie	3
Infants' Wear	2½
Corsets	2
Furs (in season)	3
DRESS ACCESSORIES	
Veilings	1¾
Handkerchiefs	1¾
Women's Neckwear	2½
Gloves	1½
Hosiery	2
Knit Underwear (Cotton)	2
Knit Underwear (Silk)	3
Parasols and Umbrellas	2
Jewelry	3
Hair Goods	4
Leather Goods	3
Toilet Articles	2
HOUSEHOLD LINES	
Furniture	5
Linens	1¾
Carpets and Rugs	3
Blankets, Bedding, etc	3
Lace Curtains	2½
Art Needlework	1½
Silverware	3
MEN'S AND BOYS' APPAREL	
Men's Clothing	5
Boys' Clothing	4
Men's Shoes	3
Men's Furnishings	2½
Men's Hats	4

Silverstein recommends in such a case that an additional advertising appropriation should be made on a percentage basis of approximately double the department's regular advertising percentage. For example, a glove department which is successful should be given an advertising appropriation of 1½ per cent. However, if it were unsuccessful and doing a volume of business of $50,000, and it is essential to do a $75,000 business to be successful, an increase of $25,000 is necessary. Therefore, at least 3 per cent of $25,000 and 1½ per cent of $50,000 should be appropriated for the advertising in this department.

In the schedule given above the percentages average 2¾ per cent. Since there are always some departments which do not advertise, the average will be within the 2½ per cent limit.

When certain departments are used mainly to draw people

to the store, the advertising percentage for those particular departments may be increased considerably.

The survey of the retail clothing business by the Northwestern University School of Commerce in cooperation with the National Association of Retail Clothiers revealed some interesting tendencies in advertising expenditures. Among other conclusions are the following:

1. The amount spent for advertising increased noticeably with the increased size of the store, this being true not only for a varying number of stores, but also for the identical stores for each of the years.

2. The amount spent for advertising increases with the size of the city, that is, the larger the city the larger amount of advertising expenditure.

3. The larger stores increased their advertising expenditures more while business was growing than did the smaller stores in the smaller towns.

Control.—There are many systems of control in use. One of the simplest to use is that devised by W. R. Hotchkin, formerly advertising manager for Abraham and Straus. As described in *Printers' Ink,* only three charts are needed for the correct operation of the plan. Figure 77 lists on the left-hand side the various departments. The next column contains figures indicating the average percentage of the total annual appropriation given each department for a period of three or five years. Such statistics are extremely useful in arriving at the proper figure for the current year.

In the column headed "current month" is set down the percentage of the monthly appropriation scheduled for the current month for each department. The last column, headed "current month in dollars and cents," contains the actual amount to be expended. If the percentage for carpets and rugs is 3 per cent and the total appropriation for the store is $120,000, then the monthly allowance for rugs and carpets will be 3 per cent of $10,000, or $300.

This system plans the whole appropriation a year in advance, but departmental budgets are estimated only a month in advance to allow for flexibility. An emergency fund is maintained at all times. Thus the actual monthly expenditure

Department	Five- or Three-Year Average	Current Month	Current Month in Dollars and Cents
Art Needlework			
Bedding			
Books			
Cameras			
Candy			
Carpets, Rugs			
China and Glass			
Clothing—Boys'			
Clothing—Men's			
Corsets			
Domestics			
Draperies			

FIG. 77.—Advertising appropriation system, P. I., Apr. 27, 1922.

Department	Appro-priation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Art Needlework																
Bedding																
Books																
Cameras																
Candy																
Carpets, Rugs																
China and Glass																
Clothing—Boys'																
Clothing—Men's																
Corsets																
Domestics																
Draperies																

FIG. 78.—Control of expenditures.

would be somewhat less than the 3 per cent for rugs and carpets in order to keep this reserve fund intact.

Figure 78 gives an exact account of all expenditures for advertising for each department. The departments are listed alphabetically on the left-hand side. In the next column is the amount of money each department has been granted for the current month. In the rest of the spaces is set down daily the amount of money expended for the department. In this way it is possible to know at any moment during the month just how much of the appropriation remains for any particular department.

The third form used in this system is similar to Fig. 78 except that the column headed Appropriations is omitted. It serves as an automatic reminder and check-up on departments to be advertised each day. One month in advance the advertising manager decides on departments to be featured and marks a circle or other mark in the squares representing the days every department is due for advertising.

Checking-up Results of Advertising.—It is difficult to estimate the particular value of a specific advertisement. While it may be possible to assign certain figures to a particular advertisement, it is impossible to set a valuation on the cumulative benefit to the store in good will through the advertisement.

One large Western store requires a report from department managers on the day following the insertion of an advertisement as the only method of checking up results. The department manager is supposed to estimate the amount of business due directly to the influence of the advertisement.

One method frequently used to compare the effectiveness of various papers is what is called the "coupon" advertisement. An annual test of this kind is made by Crowley, Milner and Company, Detroit. A full page of coupons is printed, each offering some article at a certain price. The coupons are keyed with the name of the paper, and customers taking advantage of the sale are obliged to present the coupon in order to secure the merchandise. At the end of the day's business, the coupons are counted to see which newspaper "pulled" best.

The attempt has also been made to key results of outdoor advertising by featuring a certain article not advertised in any other way.

The Test of Advertising.—The ultimate measure of value of all advertising is the actual amount of sales brought about for the store either directly or indirectly. The methods by which this result is obtained vary from the purely institutional advertising aimed at building up good will to the purely price advertising aimed to sell specific goods. But there are certain tests which may be applied to the completed advertisement which will, as a rule, give some index of the value of the advertisement. According to John Lee Mahin, a leading expert on consumer advertising, these tests should show whether the advertisement is:

1. Institutional.
2. Natural.
3. Specific.
4. Timely.
5. Pertinent.
6. Consistent with character of medium, etc.
7. Persistent, forming part of an organized plan.
8. Authoritative.
9. Plausible, so that people will believe what is written.
10. Clearly expressed.

The advertising policy of the store will, perhaps, add other tests to those above enumerated. In any event, the store's advertisements should be measured according to a certain standard.

Institutional Advertising.—The department store may or may not be an institution. Many of them are. Any store, however, which builds around an idea or an ideal has the opportunity for becoming an institution. Institutional advertising creates a following, causes belief in the store, builds good will, and formulates the store policy in the minds of the public.

The policy of R. H. Macy and Company (see Fig. 79) is, in its own words, to sell "Merchandise of taste and quality at lowest-in-the-city prices." It may stress other points but the essence of its advertising has been mainly price.

Other stores have developed equally well-known institu-

tional ideas. That of Wanamaker's is quality insurance in buying. The institutional idea has been cleverly worked out by the store editorial. Local features have been introduced, and the personal element used. A clever bit of Wanamaker psychology is advertising to the classes in order to reach the masses—advertising to Mrs. Vanderbilt in order to bring Mrs. Newrich into the store.

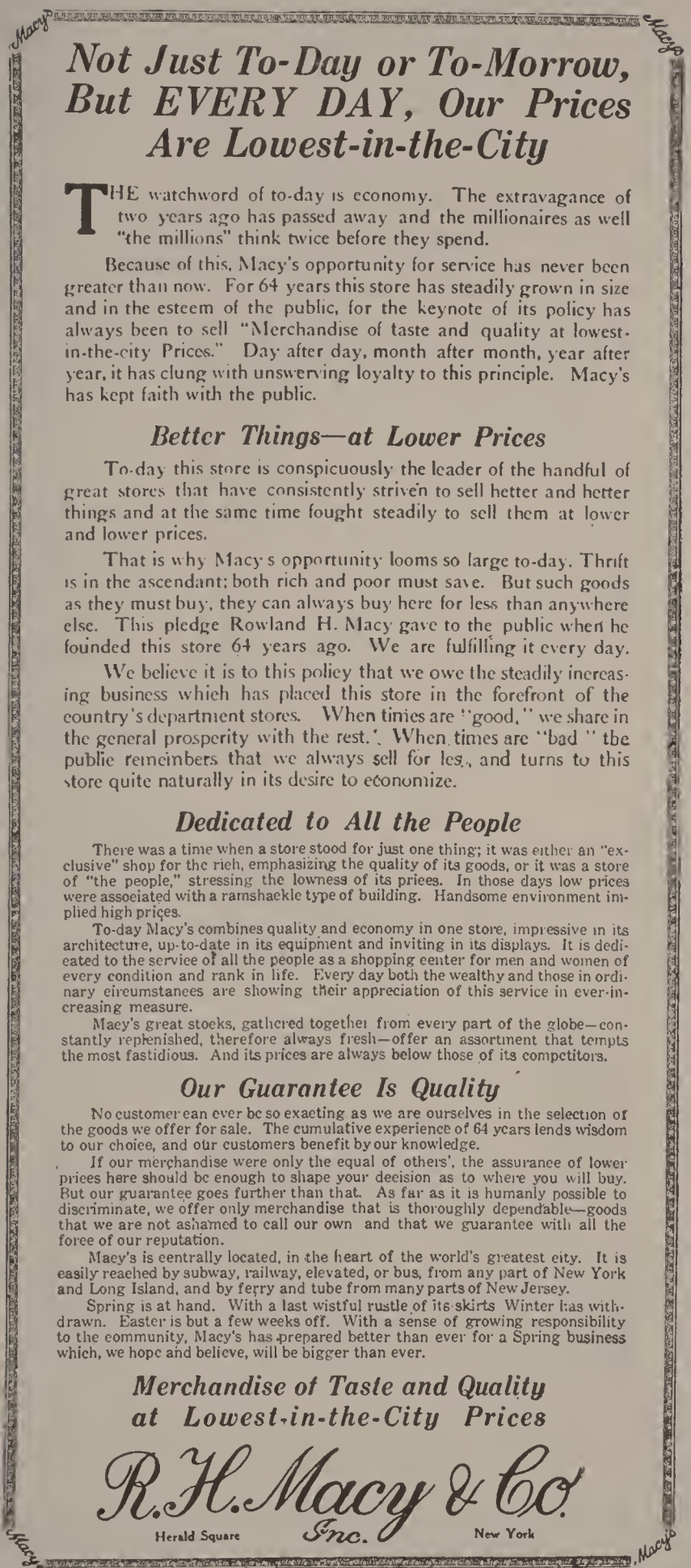
Franklin Simon Company features the advantages of specialization; Gimbel's stresses the quantity asset gained through its three-store buying power. D. J. Kaufman of Washington, D. C., calls attention to volume of buying and selling. Other stores feature service to the public, quality character of merchandise, etc.

Figure 79 shows a purely institutional advertisement used by R. H. Macy and Company and stressing the low-price policy. As a matter of fact, all advertising should be institutional in that it should be built round the store. Every item in the advertising should reflect the institution in some way or other, expressed or implied.

Real Value Advertising.—Advertising featuring low price may be of two kinds: first, that of the store the essential policy of which is large value for money spent; and, second, the inevitable bargain sale.

In spite of all argument to the contrary, there is probably no appeal which has a stronger hold than price. It has the enormous advantage over all other appeals that it is always timely. To combine what people need with what they want at attractive prices has always proved profitable.

There has been much discussion regarding the use of comparative prices, some stores holding that it is bad policy, and others maintaining that it is of definite value. The logical outcome would seem to be that comparative advertising is allowable when the comparisons are accurate, the values shown legitimate, and, in other words, the truth of the statements unimpeachable. The store which does not feel confidence in its own merchandising or advertising honesty would do well to abandon comparative prices. There is, of course, a distinction between advertising comparative prices and advertising comparative values.



Not Just To-Day or To-Morrow, But EVERY DAY, Our Prices Are Lowest-in-the-City

THE watchword of to-day is economy. The extravagance of two years ago has passed away and the millionaires as well "the millions" think twice before they spend.

Because of this, Macy's opportunity for service has never been greater than now. For 64 years this store has steadily grown in size and in the esteem of the public, for the keynote of its policy has always been to sell "Merchandise of taste and quality at lowest-in-the-city Prices." Day after day, month after month, year after year, it has clung with unswerving loyalty to this principle. Macy's has kept faith with the public.

Better Things—at Lower Prices

To-day this store is conspicuously the leader of the handful of great stores that have consistently striven to sell better and better things and at the same time fought steadily to sell them at lower and lower prices.

That is why Macy's opportunity looms so large to-day. Thrift is in the ascendant; both rich and poor must save. But such goods as they must buy, they can always buy here for less than anywhere else. This pledge Rowland H. Macy gave to the public when he founded this store 64 years ago. We are fulfilling it every day.

We believe it is to this policy that we owe the steadily increasing business which has placed this store in the forefront of the country's department stores. When times are "good," we share in the general prosperity with the rest. When times are "bad" the public remembers that we always sell for less, and turns to this store quite naturally in its desire to economize.

Dedicated to All the People

There was a time when a store stood for just one thing; it was either an "exclusive" shop for the rich, emphasizing the quality of its goods, or it was a store of "the people," stressing the lowness of its prices. In those days low prices were associated with a ramshackle type of building. Handsome environment implied high prices.

To-day Macy's combines quality and economy in one store, impressive in its architecture, up-to-date in its equipment and inviting in its displays. It is dedicated to the service of all the people as a shopping center for men and women of every condition and rank in life. Every day both the wealthy and those in ordinary circumstances are showing their appreciation of this service in ever-increasing measure.

Macy's great stocks, gathered together from every part of the globe—constantly replenished, therefore always fresh—offer an assortment that tempts the most fastidious. And its prices are always below those of its competitors.

Our Guarantee Is Quality

No customer can ever be so exacting as we are ourselves in the selection of the goods we offer for sale. The cumulative experience of 64 years lends wisdom to our choice, and our customers benefit by our knowledge.

If our merchandise were only the equal of others', the assurance of lower prices here should be enough to shape your decision as to where you will buy. But our guarantee goes further than that. As far as it is humanly possible to discriminate, we offer only merchandise that is thoroughly dependable—goods that we are not ashamed to call our own and that we guarantee with all the force of our reputation.

Macy's is centrally located, in the heart of the world's greatest city. It is easily reached by subway, railway, elevated, or bus, from any part of New York and Long Island, and by ferry and tube from many parts of New Jersey.

Spring is at hand. With a last wistful rustle of its skirts Winter has withdrawn. Easter is but a few weeks off. With a sense of growing responsibility to the community, Macy's has prepared better than ever for a Spring business which, we hope and believe, will be bigger than ever.

Merchandise of Taste and Quality at Lowest-in-the-City Prices

R. H. Macy & Co.

Herald Square *Inc.* New York

FIG. 79.—Example of institutional advertising.

Timely Advertising.—Certain times of year have become almost fixtures for seasonal sales. On the whole, however, the modern tendency is away from seasonal sales unless there is an actual opportunity, or necessity, for such occasions.

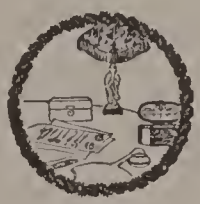
All Charge Purchases During November Will Be Entered on Bill Rendered Jan. 1

Jordan Marsh Company

Do Christmas Shopping Early — Christmas Is Less Than Five Weeks Away

A Christmas Gift Group

From the Street Floor of Our Annex



A Manicure Set

With a Gray Suede Case

All the fittings are manufactured ivory in the dainty Dubarry pattern, rose colored satin lining and straps. 10 fittings 10.00

Brown Suede Case

Men like its compactness and the sharp good steel of its manicure sets. 9 pieces, complete 6.00



Imported Jewelry of Powder Blue

(Some call it Lapis tone)

The settings are curious shaded metal in silver shades, a beautiful foil for this rich blue—some of the earrings show tiny imitation pearls

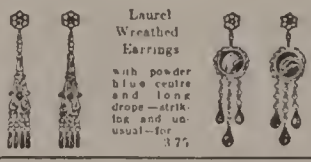


A Pendant

on a delicate silver chain—with small powder blue beads hangs the large pend ant with grape leaves at the top 5.00

Pyramid Earrings

carry pearl and blue tassel effects, pair 3.75



Laurel Wreathed Earrings

with powder blue centre and long drops—striking and unusual—for 4.75



Perfumes from Paris

Houbigant's Quelque Fleurs

Perfume—1 oz. 4.00—2 oz.	7.50
Toilet Powder	1.00
Face Powder	2.00

Roger et Gallet Fleurs D'Amour

Toilet Water	4.00
Perfume	6.50
Toilet Powder	1.25
Face Powder	3.00

Coty's Styx

Perfume—1 oz. 4.10—about 2 oz.	6.50
Toilet Water—2 oz. 4.00—6 oz.	7.25
Face Powder—Flesh, white, rachel	.85c
Toilet Powder—Glass bottle, sifter top	1.00

A Handbag with Cut Steel Beads

Nail Heads, too

Add to the effectiveness of this smart French Bag with its cut steel top and chain



50.00

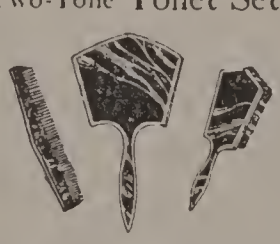
Bracelet Handles

give a different touch to this bag of London Faille, so exquisitely beaded in very fine steel beads—from Paris, still it costs but



40.00

Two-Tone Toilet Sets



Shell and Ivory Effects

21.75 THREE PIECE SET

You'll love their glorious colors—the deep, almost mahogany tone of the imitation shell with a clear, narrow ivory toned edge—three-piece set at 13.95.

Other Toilet Articles in two-toned effects, 1.50 to 7.25 each

A Splendid Variety of Other Toilet Sets May Be Had at Moderate Prices in Manufactured Ivory, Ebony and Shell Effects

The *"Write"* Gift

Smartly Continental

Is this new stationery selected on Europe by our buyer. Especially odd are the linings.

Nuit Chinoise with very odd linings	2.00
Versailles with smart shapes	2.00
Radjah with decorated envelope flaps	2.00

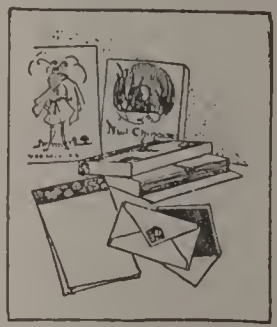


FIG. 80.—Example of timely advertising.

Christmas sales, vacation sales, etc., are perfectly logical because they are timely and fill a merchandising want. But anniversary sales and birthday sales too often are manufactured out of whole cloth as an opportunity for offering

bargain merchandise. A seasonal sale, however, may be quite timely, depending on the circumstances.

Opportunities for timely advertising are constantly occurring. A clean-up week, for example, gives the store occasion to feature a certain class of articles. Figure 80 shows an example of timely merchandising combined with a timely selling plan. Christmas, the timely element, combined with the gift appeal, and departments grouped together, are an occasion for timely advertising.

Store-wide Advertising.—Many stores often feel it desirable to advertise the entire store in order to stimulate immediate business. The appeal is generally on a price basis, such as McCreery's "Economy Days," Strawbridge and Clothier's "Clover Day," or the "Dollar Days" often featured by stores.

According to Joseph B. Sheffield, former Advertising Manager of Abraham and Straus, store-wide advertising possesses the following advantages:

1. It gives representation to a large number of departments.
2. It gives the smaller departments equal footing, from time to time, with the larger ones.
3. It attracts attention to practically every department in the store, and is, therefore, a valuable tonic if prescribed with moderation.
4. If properly merchandised, rigorously limited, and persisted in, it possesses considerable cumulative effect.
5. The advertising of a store-wide sale is usually so totally different from the store's usual publicity that it is bound to attract attention.

Figure 81 shows a specimen advertisement used by Abraham and Straus as a means of focussing attention on early holiday shopping.

Fashion Advertising.—Certain advertisements, particularly at certain seasons, are fashion advertisements. Outer garments are a conspicuous example. They are not only something to wear but there is an added quality, intangible yet definitely worth a price, which must be considered. In other words, fashion advertising must not only sell the goods but it must also sell the fashion idea.



FIG. 81.—Example of holiday advertising.

Fashion advertising is the occasion of much fine writing, and often much hyperbole. Figure 82 is a good example of fashion advertising. Items must not be so many as to confuse. Price should ordinarily be subordinated to illustration and description.



FIG. 82.—Example of fashion advertising, showing layout.

Condensed Appeal.—Condensed appeal has been defined as a selling story in small space but with big drawing power. One department is featured in such a way that customers will be interested in all departments. Such advertising as is illustrated in Fig. 83 is becoming more and more frequent as a

means of giving special emphasis to some particular item. In this case Thanksgiving is used as an argument for outfitting the maid. There is a human appeal through having the maids well-dressed and happy. The festive air of the

Filene's

Built on value; growing on value

Thanksgiving—a splendid time to outfit your maids



Silk poplin uniforms, 8.75.

The psychology of being well-dressed to be happy applies to your maids as well as to yourself. And crisp new uniforms for them will do much to add to the happy, festive air about your home.

The uniform sketched is black or grey silk poplin, with double hemstitched collar and cuffs of white organdy. $8.75

Black cotton pongee uniforms with tailored organdy collar and cuffs. $3

Morning uniforms of striped or figured percale, black on a white ground. $2.75
Blue chambray uniforms, with the high collar which is convertible. $3

All in sizes 34 to 46

Maids' uniforms in the machine-made dress shop—mail orders filled—sixth floor

FIG. 83.—Advertisement emphasizing a few items.

home is also brought in as an argument. Price is subordinated to the story.

Quality Advertising.—Almost every item in stock has some quality points which may be brought out, regardless of how cheaply it may be priced. Therefore, quality in advertising is an aim which should always be sought.

Guy Hubbart, of the editorial staff of the *Dry Goods Economist,* suggests ten quality points which may be featured for fabrics and garments:

1. Those which are a part of the goods or material, such as:

   a. Sheerness, body, color.
   b. Fine or coarse weave, design.
   c. Softness or firmness, pattern.
   d. Weight, texture, finish, sheen.

2. Those which are a result of the workmanship of making, such as:

   e. Deep hems, full width or length.
   f. Well-made buttonholes, well-sewn buttons, fine stitching.
   g. Good style and models.

3. Those which are the result of skilled workmanship, but expressed in effects of it, such as:

   h. Comfort, fullness, closefitting, shape-fitting.
   i. Fit, "set," grace, outline.
   j. Distinction, distinctiveness, individuality, etc.

For any other type of goods there will be a similar group of quality points, classified according to the three main headings of the material, the workmanship and the results of workmanship.

Novelty.—To attract interest is a fundamental consideration in all advertising. Therefore, any advertisement which can bring the attention of the reader to it immediately has a certain value. The opportunity of the advertising department to provide original and interesting material is almost unlimited and the results to be obtained valuable.

To be original does not require freakishness. Difference of treatment does not call for the so-called advertising "stunt." Good advertising need never become undignified.

One method of being original is to alter the physical aspect of the advertisement. A hand-written advertisement appearing from time to time is certain to secure attention. Figure 84 shows an excellent example of novelty secured through carrying out the headline in the illustration and layout. "Seen Through the Opera Glasses" provides an opportunity for Best and Company to illustrate fashionable offerings for opera wear in a novel fashion.

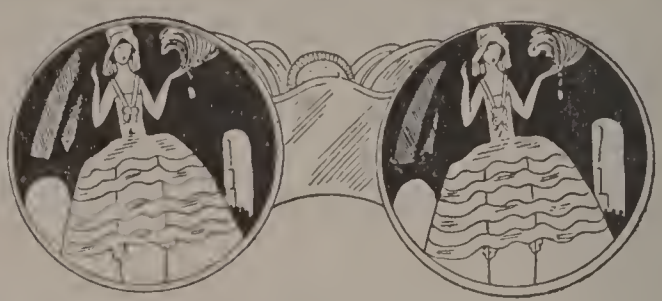
BEST & COMPANY FIFTH AVE., N.Y.

Seen Through the OPERA GLASSES



.... Opening night at the Opera. Jeritza in La Tosca ..... And forming a background for Jeritza's charm and beauty, for the ineffable life and color of La Tosca's music is that semi-circle of elegantly gowned women, who express in their costumes the same ideals of creative and interpretive art that the Metropolitan Opera Company reaches in music.

Aida furnishes inspiration for this headdress of black beads—Parisian in origin, but decidedly Egyptian in atmosphere 12.50 Other head-dresses and bandeaux of metal cloths or jeweled fabrics

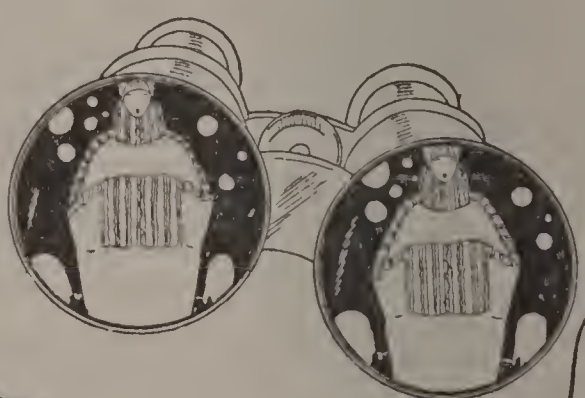


The shimmer of sea-green silver—cloth, with bands of silver lace reaches a glowing point of color in the little exotic wreaths of flowers on the corsage, and —half-veiled by lace—on the skirt.

BEST & CO. presents for Opera wear French models, replicas, and the works of the foremost American designers in gowns and wraps; and a choice collection of those accessories that mark the distinguished costume.

Opera gowns of metal cloths, velvets, chiffons, brocades, beaded, embroidered or combined with rare laces . . . . . 75.00 to 350.00

Opera wraps of Paisley brocades, cloth of gold or silver, velvets fur collared, fur trimmed or fur-lined . . . . . 125.00 to 375.00





Sturdy enough for a mediaeval coronation—or for a first night at the Opera—is this reproduction of a Callot model in gold brocade with ropes of pearls

AND even the opera bag may be a Carmen or a Columbine, if one chooses this newest of French caprices, fashioned of silks and velvets and laces, with a quaint little painted head . . . 12.50 to 25.00

When silver cloth lines itself with Chinese red georgette and uses huge collar and cuffs of fitch, there is little more to be said in the way of an Opera wrap!

Ermine, velvet and Bernard conspired together! The result was the opera wrap here exquisitely reproduced in azure, with an amusing hand-smocked design accenting shoulder—and hem-line.

PARIS

Best & Co.

LONDON

Fifth Avenue at 35th St.,—N. Y.

Established 1879

FIG. 84.—Use of novel idea in the advertising layout.

Novelty is best fitted for fashion advertising, although it may be carried out to a lesser extent in the advertising of staples.

Another method introducing originality is to advertise an article prominently which is usually not advertised at all or else given little space. Handkerchiefs are a case in point. Merely to feature handkerchiefs is novel.

Certain stores have attempted to make their advertisements appear in the light of news. Other stores have featured coupons. Other stores have had special columns, written by some specialist.

Distinctiveness.—Distinctiveness is carrying out advertising novelty according to a regular plan. It is measured in terms of its relation to oddity, display, novelty, or illustration. It may be applied equally to every phase of an advertisement. It is especially valuable for quality advertising, because it identifies the institution.

Distinctiveness in advertising allows a store to make its appeal to the public with less outlay and money for space. A single advertisement or a series will be read by more people of a class, and with more interest.

A likeness of treatment is the first essential of distinctiveness. In many cases the customer identifies the advertisement by its appearance before she looks for the name. The Lord and Taylor advertising is a case in point. Continuity in all their advertisements is maintained by a "family resemblance," with variety enough to stimulate interest. As the advertising director of the store at one time said,

> We try to design our advertising as a unit. The principle is that good things, appealing things, do not just happen—they must be charted. Their expression must not be obvious. The column in the cathedral may be decorated but it was designed on the blueprints to hold up the roof.
>
> We try to work in harmony with the law that a pleasing impression must be made by the appearance of the advertisement before the message can be favorably received. As the eye sees the advertisement before the brain grasps its import, it seems logical to capitalize that quick appraisal of the eye 100 per cent in our favor.

Figure 85 shows a Lord and Taylor advertisement cast in what they call their master mould. Such advertisements are often remembered a long time after the routine series is gone and forgotten.

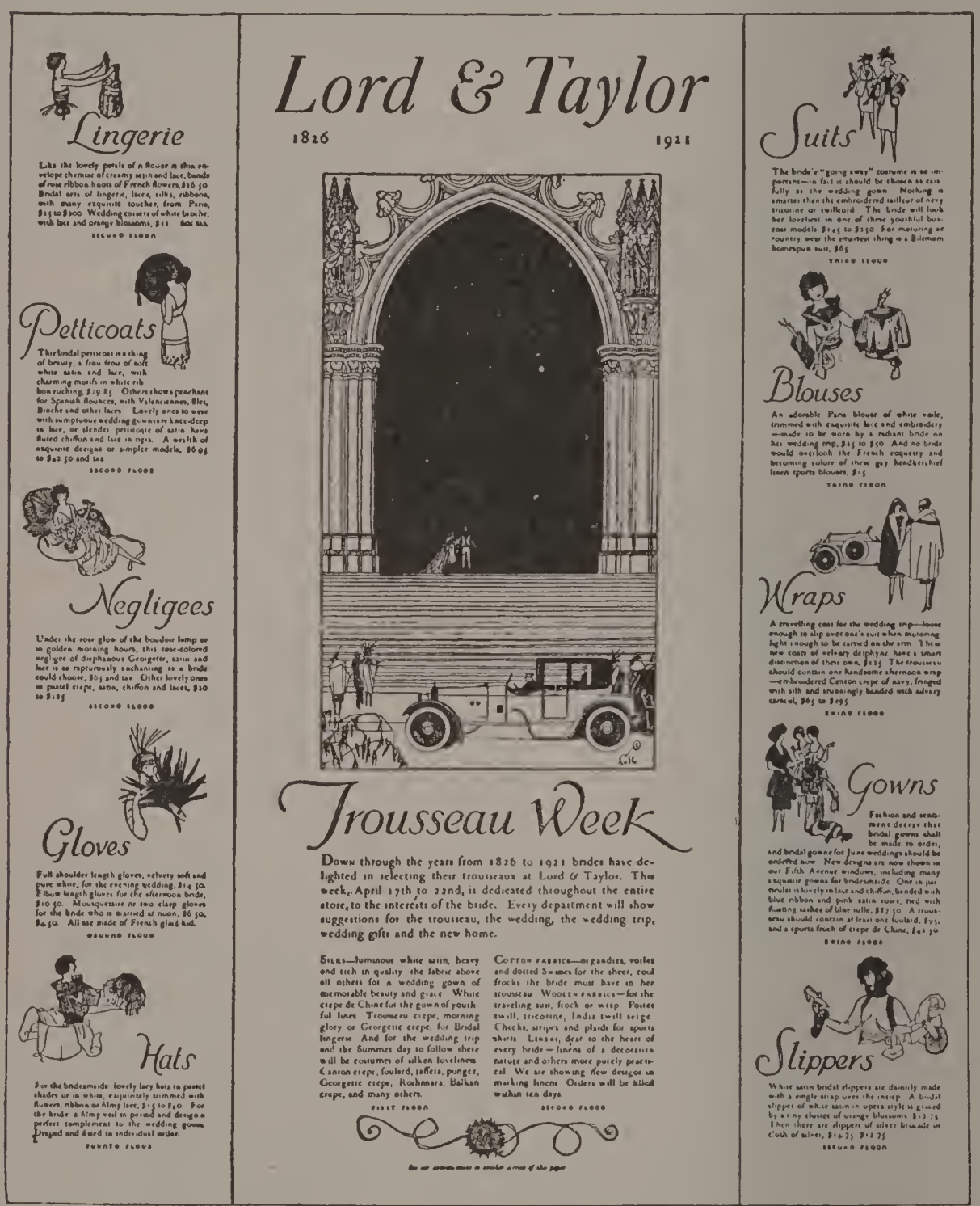


FIG. 85.—One of a series of advertisements which have a "family resemblance."

Advertising Essentials.—All advertising should do three things:

1. Attract attention. The appearance of the advertisement is most important for this purpose. Illustrations are also an important factor. Headlines and signature must be carefully

considered as a means of attracting attention. Securing attention, however, is only one stage.

2. Arouse the reader's interest. The arrangement and the layout of the advertisement lead directly to the presentation of the reading matter. Belief in the goods and the general appeal of the whole to the buying habits of the customer lead to the third point.

3. Create desire. A want is created by giving details of the merchandise. The higher the price the more details are necessary. For a 10-cent cake of soap little description is necessary, but for a grand piano a great deal of space will be required. Necessities are generally, therefore, given small space, and advertised in connection with other necessities of a similar character, usually on a price basis. Luxuries are given more room, and treated with a more individual appeal.

Desire is created by all the methods previously described of quality, price, reputation of the firm, fashion and style, etc. It is also possible to appeal on the grounds of healthfulness, cleanliness, efficiency, modernity, sympathy, imitation, sport, etc.

Illustrations.—The value of strong illustrations in copy wherever possible is generally recognized. The pictorial impulse is universal, and, next to a human being, perhaps nothing is more personal than a picture. Furthermore, from experiments made in the research laboratories of national advertisers, it has been discovered that pictorial interest is stronger with women and children than it is with men. As 90 per cent of the average dry goods or department store purchases are made by women, the value of illustration is even more noteworthy.

Investigation by the advertising group of the National Retail Dry Goods Association brought out the fact that advertising managers are almost universally in favor of the use of cuts. Buyers were quoted as strongly preferring illustrations and many "would prefer an illustration and a price with little description." In cases where cuts are not used, it is largely a question of advertising policy.

The value of illustrations is unquestioned:

1. People want pictures. It helps them to visualize the

merchandise, and gives them a better idea of what is for sale than does a mere description.

2. Cuts add to the attractiveness of the advertising. "The pleasing appearance of a skilfully designed and illustrated advertisement produces a corresponding psychological effect."

3. Illustrations attract attention better than the most striking headline. Attention is focused on the advertisement.

4. The cardinal principles of advertising, to attract attention, to arouse interest, and to create desire, are fulfilled.

5. Illustrations get better results than plain copy. One store claims results obtained from cuts are from one-third to one-half greater than in advertisements where only general copy is used.

In an analysis made of 345 letters sent the *Chicago American* by its readers in an advertising contest, the reasons for the domination of a particular Marshall Field and Company advertisement were given as follows:

	Per cent
Illustration	22
Appeal to saving	21
General appearance	15
Impression of reliability	14
Authoritative style	12
Timeliness	7

Other reasons were scattered. Illustrations, however, were regarded by customers as most effective.

Rules for the use of illustration vary with the policy of the house. The following suggestions are generally applicable:

1. A few cuts well distributed are ordinarily better than a great many. One store makes a rule that the total number of illustrations in the advertisement will at no time exceed the total number of columns that the advertisement contains.

2. Only high grade art work should be used.

3. Cuts should be sufficiently large to show detail. One advertising manager writes that he has even shown the pattern of lace, fabrics, and rugs with excellent results.

4. Cuts should be the exact reproduction of the merchandise on sale, as customers frequently ask for the same article as the one pictured. One store using syndicate illustrations was

embarrassed by the demand of the customer for the particular item illustrated.

5. Illustrations should seldom be used merely to make the advertisement artistic, but rather to attract the customer towards the selling appeal.

General consensus of opinion seems to be that the following departments are most benefited by pictorial advertising:

1. Apparel and fashion goods, including cloaks and suits, dresses, boys' and girls' clothing.
2. Millinery.

TABLE XV.—CUT SIZES

If Cut Is To Be	If Your Newspaper Column Is		
	12 Ems Wide	12½ Ems Wide	13 Ems Wide
1 Column Wide	2	2	2⅛
1 Column Inside Border	1⅝	1¾	1¾
2 Columns	4	4¼	4⅜
2 Columns With Border	3¾	3¾	4
3 Columns	6⅙	6⅜	6
3 Columns With Border	5¾	6	6¼
4 Columns	8¼	8½	8⅞
4 Columns With Border	7⅞	8¼	8½
5 Columns	10¼	10¾	11⅙
5 Columns With Border	10	10⅜	10¾
6 Columns	12⅜	12⅞	13⅜
6 Columns Inside Border	12	12½	13
7 Columns	14½	15	15⅝
7 Columns Inside Border	14⅛	14¾	15¼
8 Columns	16½	17¼	17⅞
8 Columns Inside Border	16¼	16⅞	17½

For 16 columns double the measure of 8 columns and add to this the margin between the pages (called gutter).

The sizes given here are in inches for 12, 12½ and 13 em columns respectively and are figured from margin to margin (flush) and the border allowance is for a 6 point border with 6 points margin between the border and the cut on each side.

For a 12 point (or 1 em) border make plates ⅙ inch narrower.

3. Housefurnishing.
4. Furniture.
5. Shoes.
6. Jewelry.
7. Floor coverings and draperies.
8. Toys and phonographs.
9. Basement and popular-priced goods.

Table XV shows sizes of cuts, used with and without borders. Measurements are in inches.

Gravure.—In the past 10 years the Sunday gravure sections have become features in many newspapers. The advertising value of representation in this section has been generally recognized, owing to the universality with which this part of the paper is read, and the length of time it is kept. Most newspapers require advertising material in the gravure section to be illustrated, that it may be in keeping with the policy of making the gravure section primarily pictorial.

Since the art gravure process accentuates, photographs made on glossy or semi-glossy paper, with detail in the high lights and detail in the shadows, with a full gradation of tones from high lights to shadows, are best.

According to Perry Arnold, manager of the Art Gravure Group, type should never be under 8 point, while 10 point is better. Solid, substantial type such as Cheltenham and Caslon are good, while thick or thin letters should be avoided.

The type may be either black on a white background or gravure tone background, or else white letters on a dark background, known as "flashing in."

Since gravure work is still done a great deal by hand, the printing is slow and copy for the gravure section should be in ten days or two weeks in advance of the date of publication.

Type.—The selection of type to be used in newspaper advertising should satisfy three requirements:

1. The type selected must not only be readable, but easily read.

2. The type must be suited to the size and shape of the space in which it is to be set.

3. The type, including cuts, must be properly arranged.

These three rules are so interdependent that it would be

difficult to pick out one which is really more important than the other. As a rule, an extended type is more legible than a condensed. The long sharp lines of the condensed type have a tendency to tire the eye. The extended type is more restful. A fancy type, if not difficult, is at least very tiring to read. Since beautiful and legible type faces are available in great variety, there is seldom an excuse for sacrificing easy readability to artistic effect.

As to the size of the type, very large type is not easily read when set in a narrow column that requires frequent breaking up of words and irregular spacing, nor is small type easy to read if set in a wide measure. The eye finds it difficult to find the place when traveling from the end of one line to the beginning of the next. The proper optical length of a line varies with individual vision. It is better to err in favor of a short line than to overburden the reader with a line which is too long.

Too small a type face or any form of italics is hard to read. In some instances italics may be justified as a matter of emphasis, but it is, nevertheless, wise to avoid their use as much as possible. Small capitals and capitals may be used to give emphasis to important words, slogans, or phrases in the text of an advertisement. This purpose may often be gained by such use, but promiscuous employment is inadvisable. Too much emphasis destroys the effect.

Emphasis may also be obtained by display, that is, by lifting the desired line above the average run of type. Here again it is necessary to use moderation lest the desired effect be entirely lost.

Copy.—There are four main parts to advertising copy:

1. The headline and captions.
2. The introductory matter.
3. The department headlines.
4. Item descriptions.

1. The headline. The headline tells at a glance what the story is about. It stimulates interest and saves the reader's time. It must be truthful, newsy, specific, clearly phrased and perfectly understandable.

Headlines are of two kinds, first those which tempt the

curiosity of the reader and, second, those which disclose the object to be sold. The first type is little used; the second is the ordinary type, such as "Furniture Sale," "Splendid Oriental Rugs," etc. Headlines, however, should be more than mere labels. They should, if possible, contain some active thought, like newspaper headlines. Instead of saying merely, "Splendid Oriental Rugs," it is better to say, "We Have Never Offered Better Oriental Rugs at These Prices."

2. The introductory matter. Introductory matter, when used, follows the main headline. The modern tendency is to omit this unless there is some particular reason for expanding the idea in the headline. It may present the store's attitude about its own goods, tell how beautiful, how attractive, how reasonably priced, how large an assortment, etc.

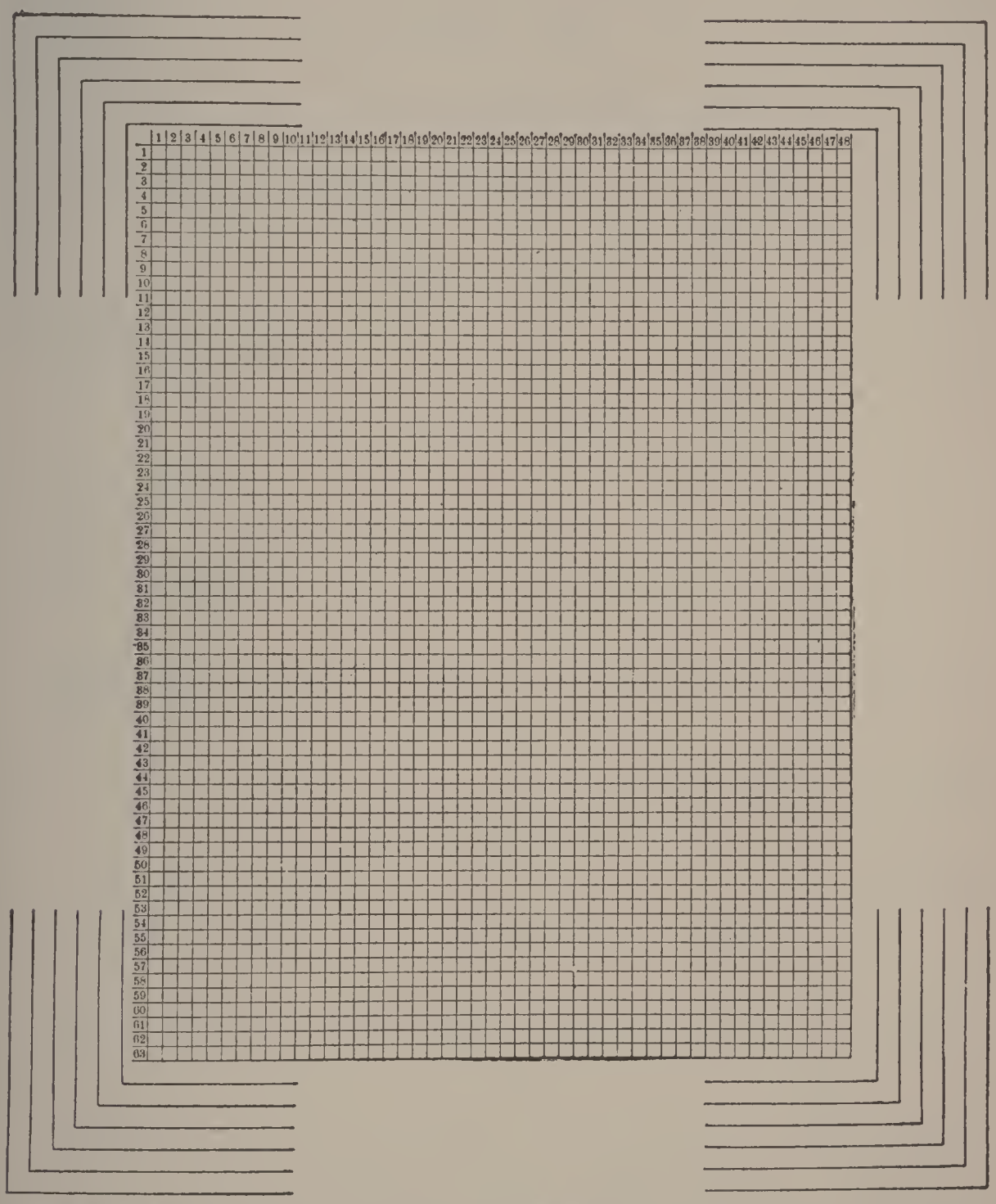
3. The departmental headlines. Departmental headlines introduce individual items in the text. It is customary to emphasize those to which attention is desired to be called first of all. Generally articles which the customer will look for, whether displayed in a prominent position or not, are subordinated to articles requiring special selling effort.

4. Item descriptions. The text is made to fit the subject matter of the advertisement. A utility article naturally requires quite different treatment from a luxury. Similarly, a man's article is described in a different fashion from a woman's. In fact, each group has certain individual characteristics.

There is some difference of treatment in description due to the locality of the store. In small towns and cities a fuller description is required than in a large city. People in small towns are likely to be interested in the goods themselves. If descriptions are not accurate, the mail-order houses are likely to reap the benefit.

Since the sole purpose of retail advertising is to make the customer want the goods, the text is of great importance. All the previous parts of the copy have merely led up to the actual description of the goods themselves. Important selling points must be noted. It is necessary to tell what the goods are, their use, their price, the size, the color, and any other salient facts.

Items of description should not be too many. If so, they become lost and the attention of the reader wanders. Simple, straightforward language is better than big words and extravagant statements.



TYPE—SET HEADS IN _____ SET BODY IN _____

RULES: _____ BORDER: _____ ORNAMENTS: _____

ESTIMATED TIME ON THIS PAGE IS _____ HOURS TIME CONSUMED _____ HOURS

Layout Sheet—United Typothetae of America

FIG. 86.—Specimen layout sheet.

Layout.—All advertisements should be planned on dummy layout sheets. In this way advertisements may be balanced properly, and the emphasis laid on the departments it is de-

sired to feature. Balance means equality between the two sides, not necessarily an exact symmetry, but an arrangement of blacks and whites so balanced that if the area of each were plotted on a disk and the disk rotated the effect to the eye would be a medium gray. To get best results, the layout sheet should have no copy written on it. Figure 86 shows a specimen layout sheet which is made to correspond with the size of the advertisement used and prevents all misunderstanding with the printer, as everything is down in black and white, measured according to ordinary standards. Lines outside are for different width margins.

Copy should be typewritten double-spaced on a separate sheet according to the following tables, which show number

TABLE XVI

Size of Type	Type Set Solid	Type Set 1 pt. Leaded	Type Set 2 pt. Leaded
5 Point Type 13 Lines to One Inch	Words 52	Words 46	Words 40
6 Point Type 12 lines to One Inch	47	40	34
7 Point Type 10 Lines to One Inch	38	32	27
8 Point Type 9 Lines to One Inch	32	27	23
9 Point Type 8 Lines to One Inch	27	23	20
10 Point Type 7 Lines to One Inch	21	18	16
11 Point Type 6½ Lines to One Inch	17	15	14
12 Point Type 6 Lines to One Inch	14	12	11

of words required to fill space in any given type size, space required to hold a given number of words in a given type size, and type size required in setting a given number of words in a given space:

TABLE XVII

For One Line of Type	5 Point Type	6 Point Type	8 Point Type	9 Point Type	10 Point Type	11 Point Type	12 Point Type
1 in. Wide (6 Picas Wide)	24	20	18	17	15	14	13
1½ in. Wide (9 Picas Wide)	36	30	27	25	22	21	19
2 ins. Wide (12 Picas Wide)	48	40	36	34	30	28	26
2½ ins. Wide (15 Picas Wide)	60	50	45	42	37	35	32
3 ins. Wide (18 Picas Wide)	72	60	54	51	45	42	39
3½ ins. Wide (21 Picas Wide)		70	63	59	52	49	45
4 ins. Wide (24 Picas Wide)		80	70	68	60	56	52
4½ ins. Wide (27 Picas Wide)					67	63	58
5 ins. Wide (30 Picas Wide)					75	70	65
5½ ins. Wide (33 Picas Wide)						77	72
6 ins. Wide (36 Picas Wide)							78

Table XVI gives the number of lines to the inch and number of words to the line of two and one-half inches.

Table XVII shows how to make printed copy equal typewritten copy. That is, if copy is to be set in 10 point type, two and one-half inches wide, the typewriter line must be set at 37 spaces, etc.

Cooperative Advertising.—Any discussion of retail newspaper advertising must include a few paragraphs relative to the extension of the cooperative idea to retail advertising. In general, it takes the form of community advertising with the purpose of extending the market for all concerned.

The plan which originated in Neosho, Missouri, and which is generally known as the Neosho plan, is commonly used in small towns, and has proved a great success in attracting trade from a large radius, much of which had previously gone to the large mail order houses. The plan as used in Terre Haute aimed at the following:

1. To attract attention to the town through a series of special bargain sales held monthly, year in and year out, until they get to be an event in the minds of the people of the community.

2. To convince the buyer of merchandise that the retail men in the town are "on the square," or, in other words, that truth in advertising really exists.

3. That mutually the town man and the country man get to know each other and to depend upon each other in such a way that the so-called city-limit line exists only on paper and not in the minds of the inhabitants of the community.

The tendency of suburban dwellers to patronize metropolitan stores has led in many cities to the neighborhood stores campaign, which has been attended with varying success.

Outdoor Advertising.—The dry goods store may use outdoor advertising in three forms, painted display, posters, and electric signs.

1. The painted display. In size, in the use of color, in circulation, and in repetition and permanence the painted display has certain advantages. Kaufman's, Pittsburgh, has used painted displays for many years with monthly changes of copy. L. Bamberger and Company, Newark, has used

them for institutional publicity. Crowley, Milner and Company, Detroit, uses bulletins for departmental advertising, with monthly changes.

2. Poster advertising. The advantages of poster advertising are much the same as the painted bulletin except that it is sold on a monthly basis and the circulation covers the boards owned. Copy can be changed much more frequently and at less expense. Several department stores use posters during December with a Christmas design as copy. James A. Hearn and Company, New York City, has done this for many years. Frederick Loeser and Company, Brooklyn, has used posters for its piano department the year round.

3. The electric sign. Electric signs can be used only where the night circulation is enough to warrant the expense. They are, therefore, confined almost exclusively to large cities. The Fair in Chicago and R. H. Macy and Company in New York have used electric signs consistently. They are, however, strictly limited.

Street Car Advertising.—The benefit of street car advertising to the retail store has been much debated. Some stores use them; others do not. Rates vary somewhat but are usually in the neighborhood of one dollar per car per month. Contracts are usually made for one year or five years. Cards can be changed at the advertiser's will, it being part of his function to supply them.

There are certain essentials to be observed, according to Andrew J. Connolly, advertising manager of the Joseph Horne Company, Pittsburgh. The card must be legible from a considerable distance. The colors must stand out in contrast and not blend together and become indistinguishable at night. The whole effect must catch the eye and make the message "get across." Most cards are weakened by too many words and too many ideas. In the art department of a prominent street railways advertising company at one time a rule was made that no car card should contain more than 52 letters.

The best use of street car advertising is to implant deeply, by repetition, through various states of mind, an idea which will lead to ultimate action. One department store found street car advertising highly successful in featuring a brand of men's clothing, con-

trolled by the firm under its own label. It wished to extend its men's clothing business without sacrificing any of the high-class business which it already held.

Some stores merely use car cards to keep their name before the public as a means of building good will. Others have concentrated upon particular departments.

CHAPTER XXIX

DISPLAY

Display is or should be a part of the advertising program. The purpose of the display as a means of selling merchandise is attained by the same means, that is, attracting attention, arousing interest, and creating desire. The planning of the display has the same problems to cope with as were discussed in the previous chapter under advertising. Therefore, the executive direction should proceed from the same source.

As far as the technique of advertising and display is concerned, there are many differences. In all but the smallest stores the functions will be separate, although working in the closest cooperation.

Organization of Display.—Like advertising, display must fit the policy of the store, be in harmony with the merchandise displayed, suit the requirements of the people passing by, and be planned in advance. The first step in planning is the written requisition for space made by the department manager to the merchandise manager. The latter official confers with the display manager, the one bringing to this conference a thorough knowledge of the merchandise, and the other a knowledge of the technique of display.

Figure 87 shows the method used by the Burgess-Nash Company of Omaha, Nebraska, for planning and keeping records of window displays. The position of each window is given and provision made for each day in the week. Some stores print the advertising value of the window on the requisition blank.

When a special sale is planned by the Rike-Kumler Company, of Dayton, Ohio, the merchandise manager calls a meeting of the advertising manager, the display manager, and the general superintendent, and asks for suggestions, to be presented at a later session. The display department prepares

sketches of window background designs, counter signs and show cards. At the second meeting suggestions are discussed and approved. Buyers file requests for space directly with the merchandise manager who apportions them, thus avoiding all argument with buyers.

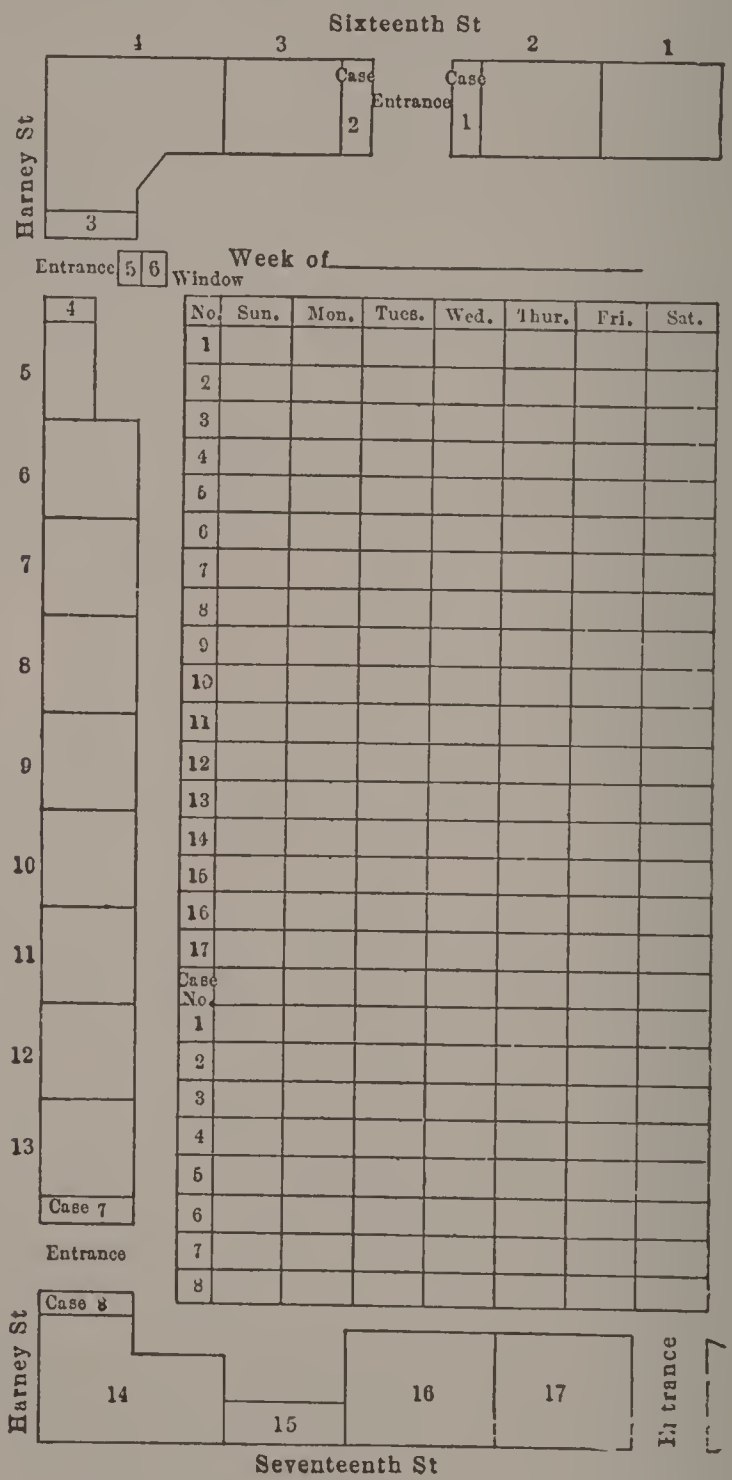


FIG. 87.—Sample of chart used for planning and keeping record of window displays.

Frequently sales are lost because salespeople are not informed of articles on display. Therefore, a part of the system in every store should be to disseminate such information as soon as the merchandise is put on display. In the R. H. Macy

Company, whenever an article is taken from a department to be used in a display, it is briefly described on a card, inserted in a jacket and sent by the display manager to the proper department head to be hung where all salespeople will be sure to see it. Figure 88 illustrates such a bulletin.

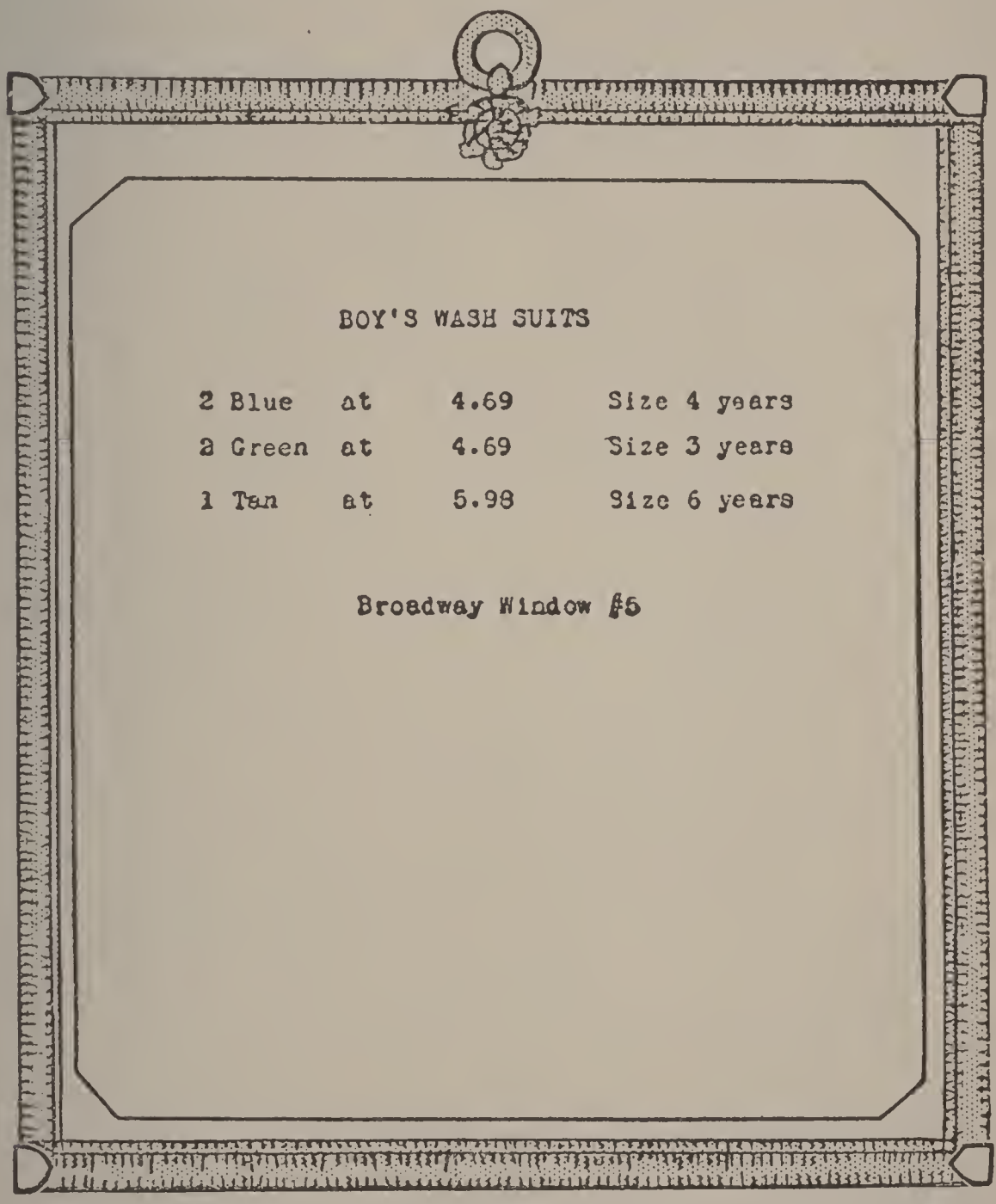
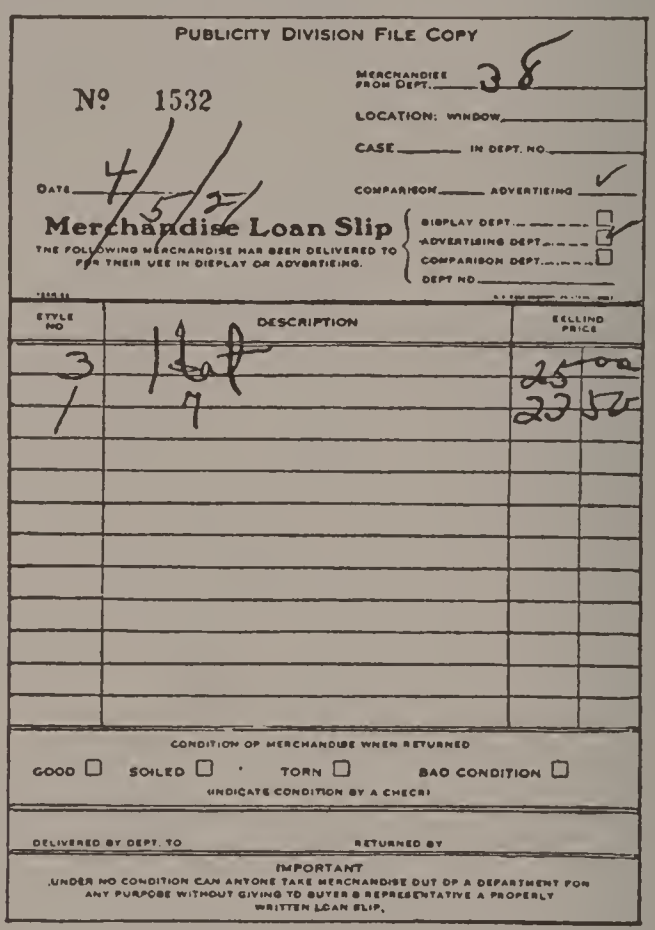


FIG. 88.—Bulletin used for showing salespeople the location of articles displayed in windows.

When merchandise is ready to be removed from the window, careful check must be made and care used to see that it is returned in as good condition as when received. The J. L. Hudson Company of Detroit uses a check system on merchandise delivered to managers, numbered in triplicate in

yellow, pink and blue. See Fig. 89. The borrower of merchandise from a department fills out the loan slips, takes the blue copy, sends the yellow copy to the publicity director, and leaves the pink copy in the department as a record. When merchandise is returned, the borrower must get back the pink slip corresponding to the blue slip and send both to the publicity director's office. When the three slips are complete they are destroyed, as transaction is considered complete.



PUBLICITY DIVISION FILE COPY

No. 1532

MERCHANDISE FROM DEPT. 38

LOCATION: WINDOW

CASE ____ IN DEPT. NO.

DATE 4/5/27

COMPARISON ____ ADVERTISING ✓

Merchandise Loan Slip

THE FOLLOWING MERCHANDISE HAS BEEN DELIVERED TO FOR THEIR USE IN DISPLAY OR ADVERTISING.

DISPLAY DEPT. ☐
ADVERTISING DEPT. ☑
COMPARISON DEPT. ☐
DEPT NO.

STYLE NO	DESCRIPTION	SELLING PRICE
3	Hat	25 00
1	7	22 50

CONDITION OF MERCHANDISE WHEN RETURNED

GOOD ☐ SOILED ☐ TORN ☐ BAD CONDITION ☐

(INDICATE CONDITION BY A CHECK)

DELIVERED BY DEPT. TO ____ RETURNED BY ____

IMPORTANT

UNDER NO CONDITION CAN ANYONE TAKE MERCHANDISE OUT OF A DEPARTMENT FOR ANY PURPOSE WITHOUT GIVING TO BUYER A REPRESENTATIVE A PROPERLY WRITTEN LOAN SLIP.

FIG. 89.—Slip used as memorandum when borrowing merchandise from a department.

Records of different displays should be kept. This is particularly important when a system of display ideas is carried out throughout the year. It not only prevents repetition but it may also give valuable ideas.

Treatment of Window Display.—How a window display should be treated is a question which has aroused endless discussion. It seems generally admitted that each type of merchandise should receive individual treatment if it is to be displayed at its best. This includes not only the physical aspects of lighting, backgrounds, etc., but also to the more delicate questions of atmosphere, price tags, etc.

"Atmosphere is the prime factor in a successful window display," states John H. Beyer, of James McCreery and Company. He backs up his view by calling attention to the fact that people move so rapidly that they rarely take time to stop for long periods to inspect a window display unless there is something really out of the ordinary to attract their attention. He says: "Favorable atmosphere creates interest, interest creates demand, and demand creates sales."

Price tags are almost invariably omitted from the McCreery windows, primarily because it is believed they make the displays appear too commercial, and secondly because this makes it harder to copy styles and prices from tags.

The views of A. W. Malet, display manager of R. H. Macy and Company, are somewhat different. He believes the question of price should be decided according to the circumstances of the display. As a general rule, price is an asset to a window. A small tag does not detract from the appearance of the window while it aids those who are looking for the price.

General opinion seems to favor the price tag unless it is a display featuring a general opening, or purely a style exhibition. That is, it is a question of the merchandise in the window and the type of customers who pass by the windows. Where the presence or absence of price tags is dependent upon outworn tradition the basis is obviously inefficient.

One expert says that if the store is of the popular or bargain type, and price is constantly employed as a dominant appeal in personal selling and advertising, then it should be employed in display as well. If price is never mentioned in the advertising, it is equally important to keep it out of the windows. If the store belongs to the majority of stores catering to the average customer, price displays should be governed by the idea which it is sought to exploit.

The so-called unit treatment of window trims has many backers, chiefly because of the effect of concentrating the selling effort on a definite line of merchandise. The plan is to choose one central idea for each window unit and subordinate all else to this one thing. If the unit is price, then price is predominant. If the unit is color, all else gives way to empha-

sizing the color; if it is style, everything in the unit harmonizes with the style idea.

According to the unit treatment, the entire display is built with one idea in mind. As in the artist's masterpiece, the imagination supplies the unessential lines and details. First comes the merchandise, then the setting which will best enhance the attractiveness of that merchandise to the public.

Window display experts sometimes forget, in their desire to create an artistic picture, that their displays are aimed solely at selling merchandise. Like the advertisement, the window fails in its purpose if it merely attracts attention without creating that desire for the goods which is necessary for a sale.

Types of Window Display.—Window displays may be divided into two general types:

1. The direct merchandising appeal, aimed directly at selling the articles displayed.

2. The spectacular display which draws attention is aimed at creating prestige for the store, but also at getting the passer-by into the mood to pay attention to the more practical displays in other windows.

The Merchandising Appeal.—The display of notions is one of the most difficult problems faced in window trimming because of the variety of items and the smallness of size. Furthermore, none of the items is intrinsically attractive. Cards of buttons, spools of silk, hair pins, etc., have nothing about them to attract the customer.

George J. Cowan advises interesting groupings of the small items on panels, the panels to be of any shape desired. By arranging the panels in symmetry, character may be given to the display. It is, however, difficult to get away from the fundamental price-utility appeal.

While, in emphasizing the merchandising appeal, the articles displayed should receive the major portion of attention, the setting is important, especially in displaying dress goods. A display of beautiful silks may in itself be unimpressive, but when coupled with an expensive setting in keeping with the fabrics themselves, the silks become extraordinary.

It is usually more difficult to draw attention to a mer-

chandise display, pure and simple, than to one in which "atmosphere" is used.

The Spectacular Display.—Anything out of the ordinary will attract people. Color, motion, lighting, etc., are all methods of compelling attention.

R. H. Macy and Company has put on a great many educational windows, where the object is to show the amount of labor involved in the many processes of manufacturing some article of everyday use. Some of these displays have been remarkably successful. For example, one display showed the making of a hair net which, according to the buyer for the notions department, caused an increase of 25 to 30 per cent in business.

Lord and Taylor probably give as much attention to window displays as any store in the country. To facilitate window dressing, each window has a separate floor which can be lowered by hydraulic power to the basement where it is pulled across to a track, and wheeled away to be loaded. In this way the element of surprise is kept, while, at the same time, the display already in use is working, and there is no lost time in dressing windows behind drawn blinds.

Probably the best display policy is that which alternates the spectacular with the merchandise appeal.

Seasonal.—Window displays are particularly susceptible to the seasonal appeal. There is something about the ability to see the goods at first hand which converts interest into sales. An advertisement always labors under the difficulty of keeping the desire to buy alive until such time as the prospective customer may be brought to the store. The window display produces in many cases immediate action.

A seasonal display has the advantage of accentuating a want presumably already existing. A display of sporting goods immediately prior to vacation time cannot fail to create desire more readily than as though it had been shown at other times. The fault of many smaller stores is lack of attention to the timely, seasonal factor. Christmas is not the only time of year when seasonal displays are valuable. Every week in the year can be used to advantage. It is important, of course,

in making up a seasonal plan throughout the year to see that all departments are represented.

Changing Displays.—Experience has taught that frequent changing of windows pays. Once a week is not too often, although something depends on the character of the merchandise on display.

In the past, the small-town merchant believed it was not necessary to change window displays so frequently as did stores in the city, but it is now generally known that it is even more important for the windows in a small town to be changed frequently because of the limited audience. Everybody will probably see the window during the course of a week. In a large city the floating population makes a constant audience.

Tests.—The only way to tell definitely the value of a particular type of window display is to check results by means of tests. Little has been done in the way of scientific testing, but what has been done has brought good results. For example, tests of show window lighting proved plainly that the lighting system is exceedingly important. One large electrical company conducted fifty test periods. The number of people who stopped to look at a given display was increased from 600 to 4,400 in one hour.

The proprietor of a leading millinery establishment in Paris conducted an interesting series of tests with two windows fitted out identically except that one element was different. An observer counted all passers-by while another kept track of all persons stopping to look at the displays. A third kept record by means of a stop-watch of time spent by each person in front of displays. Salesclerks kept track of persons referring to articles in windows.

One test was in regard to price tags. The percentage of frequency was 6.4 where tags were used against 4 without price marks. The average time spent in front of the window with price tags was 15.2 seconds against 13.4 seconds for the other window, an advantage for the price tag window of 13 per cent. Twenty-six sales were made by the use of tags and fourteen through the tagless window, a margin of 86 per cent in favor of tags.

In the second test silver-gray hats alone were displayed in

one window and multi-colored hats in the other window. The results were interesting. The one-color display attracted 73 per cent less passers-by, and held attention for a space of time 32 per cent less than the multi-colored display, but the one-color window made twenty sales against sixteen for the multi-colored one.

A third test revealed the fact that changing the hat form daily increased sales. A gown displayed on a headless form brought more sales than one displayed on a wax figure, probably because in the former case the interest of the passer-by was concentrated on the merchandise.

While French buying habits may differ from those of Americans, there is no reason why similar tests cannot be made by any merchants desirous of making their window displays as effective as possible.

Factors in Display.—According to Gordon Schonfarber, of the Gladding Dry Goods Company, Providence, Rhode Island, there are nine principal factors in display:

1. Harmony, usefulness, beauty.
2. Order.
3. Meaning.
4. Lines.
5. Surface.
6. Masses.
7. Balance.
8. Color, color harmony.
9. Optical illusion.

These nine factors combine to give the effect of the display as a whole, to arouse interest, and to concentrate it on the merchandise or on the central idea round which the display is built.

The first three points have already been discussed. The last six form the technical treatment of the display.

Lines, Surface and Masses.—An understanding of lines, surfaces and masses is essential for correct composition so necessary for balance. This is even more important than in the case of the newspaper advertisement, because in the window the appeal is wholly to the eye, there being little or no text used.

Horizontal lines give an impression of quiet and rest, especially if straight and clearly defined.

Vertical lines, on the contrary, convey a feeling of reliability and strength.

Diagonal or oblique lines indicate movement and action.

Lines should not be broken too frequently although occasional breaks make the whole more interesting. Gently waving lines, according to Mr. Schonfarber, are the most attractive of all.

As far as surfaces are concerned, squares and circles are least interesting, circles attracting the eye but not serving to retain it.

Curved figures are more interesting than straight lines; ellipses and ovals being especially pleasing.

Oblongs and triangles are also good to use. The golden section, of which the Greeks were so fond, is an oblong three by five in dimensions.

In considering masses, somewhat the same conditions apply. While spheres and cubes are uninteresting, triangles and stars, pyramids and cones, are all pleasing. The Greek law of area provides the proportion of five to seven to eleven as ideal.

Backgrounds.—The background serves to unify the effect. If the merchandise is to be featured, the simpler the background can be made and still harmonize with the merchandise, the better the composite result will be.

L. E. Weisgerber, display manager of Lord and Taylor of New York, quotes as the essentials of good backgrounds the following points:

1. The background should be unobtrusive.

2. The background should be such as to make the garments in front of it stand out distinctly.

Where such lines are shown as ready-to-wear, yard goods, clothing, millinery, shoes, etc., the background should be decorative. Large city stores go to great lengths in obtaining decorative backgrounds for such displays, in many cases evolving highly original results. The small merchant who must be in great measure his own artist can find many valuable ideas for backgrounds from illustrations and cover designs in

some of the current fashion magazines and women's periodicals.

Interchangeable posts and panels provide possibilities for quick changes at little expense.

Seasonal backgrounds are always in order and particularly valuable when the merchandise to be displayed is of a seasonal character as well. It should be remembered that the background of the window is like the back curtain of the theatre. It provides atmosphere without interfering with the players, or, in the case of the window, with the merchandise.

The color of the background is all-important. A white background intensifies colored objects on display. A gray background contrasts or neutralizes colored objects on display. The degree depends on the depth of tone or hue. A black background weakens or negatives colored objects of merchandise. As a general rule, the backgrounds should be grayer, softer, or less intense than objects shown against them.

Color.—The first necessity in considering color is to see that the effect of the sun's rays upon the display windows does not nullify the results of carefully planned color effects. One method of correcting this frequently occurring condition is to use light backgrounds, although this does not remove the trouble entirely. It has been suggested that covering the under side of the awning with a dark green lining would have a beneficial effect.

Plate glass windows are manufactured which will do away with the reflection of the rays of the sun on merchandise. Such windows, however, have been regarded as impracticable because of their great expense and the fact that they are made of glass which curves inwards at the top and bottom, thus taking up a great deal of the window space. They are also hard to keep clean, dust settling on the inner convex surface of the glass in a surprising degree and in a very short time.

The use of color in window display work is exceptionally important because of the effect of color in attracting attention. To get the best results from color it is necessary to know something of the methods by which colors may be harmonized and contrasted.

The major harmonies are as follows:

1. Monochromatic. Different tones of one color are combined, such as French blue and Navy blue.

2. Analogous. Two colors next each other in the spectrum may be combined, such as blue and green.

3. Complementary. Colors opposite each other in the chromatic circle (see Fig. 90) are complementary.

4. Triadic. The combination of two analogous colors with an opposite color, such as yellow and green combined with purple.



(*Women's Wear*)

FIG. 90. (Color Chart)—This chromatic circle, showing the warm, cold and complementary colors, can be used in making good combinations of two or more colors. Such combinations should have their members at least 80 degrees removed from each other and triads (combinations of three colors) must have at least two members selected from among the warm colors.

There are three qualities for each color—hue, intensity, and value. Colors may be normal, or tints, in which case they are lighter than normal, or shades, in which they are darker.

The following table, published by the *National Retail Clothier*, shows two color combinations which give excellent, good, strong, fair, poor, and very poor combinations.

The following are colors which make excellent combinations:

Orange red with yellow.
Violet with yellow.
Violet with yellow-green.
Violet with green-yellow.

The following make good combinations:

Scarlet and turquoise.
Violet with orange-red.
Violet with orange.
Violet with blue-green.
Turquoise with orange.
Orange with blue-green.
Orange-yellow with purple.
Yellow with purple.
Green-yellow with purple.

The following make strong combinations:

Normal-red with blue-green.
Normal-red with green.
Scarlet with green-yellow.
Purple with normal-green.

The following make fair combinations:

Orange-red with purple.
Orange-red with yellow-green.
Orange-red with green-yellow.
Orange-yellow with turquoise.
Orange with green.
Scarlet with green.
Normal-red with green-yellow.
Purple with blue-green.

The following make poor combinations:

Yellow with normal-red.
Yellow with scarlet.
Yellow with turquoise.
Yellow-green with purple.
Normal-green with scarlet.
Normal-green with orange-red.

The following make very poor combinations:

Blue with blue-green.
Blue-green with yellow.
Blue-green with green.
Blue-green with yellow-green.
Blue-green with turquoise.
Normal-green with turquoise.
Turquoise with green-yellow.
Green with orange-yellow.
Orange with purple.
Violet with normal red.
Violet with scarlet.
Red (of any kind) with pink.

The six accompanying rules will help in carrying out color combinations in making the trims:

1. Contrasts of two colors or graded shades of one color are correct.
2. Dark colors should be used below light ones; never above.
3. Never use more than three colors in one scheme.
4. Use light colors in dark places.
5. Use soft shades where the permanent colorings of the store itself are pronounced.
6. Never put two floral designs near each other.

While colors cannot be said to have a language, it is true that certain colors can be used very effectively in carrying out certain ideas. For example:

Red denotes passion, fire, excitability. At the same time it tends to reduce the apparent size of the display.

Blue is almost the direct opposite of red, being cold and formal, and requiring a warm color to set it off. At the same time it increases the apparent size of the display. It is interesting to note that men generally prefer blue while women choose red.

Violet, which is the combination of blue and red, denotes royalty, solemnity, and distance.

Yellow, which has twelve times the light-carrying power of purple or violet, conveys an idea of motion, joy, gayety and speed.

Green, the combination of blue and yellow, is restful, cheerful, and comfortable.

Cool colors, the blue, greens, and purples, should predominate in spring and summer, while warm colors, the reds, oranges and yellows, should be used mainly in winter months.

All pastel shades go together.

If it is necessary to put two articles in the window which do not harmonize, the effect can be neutralized by placing something gray or tan between them.

The color of the goods on display has a very important effect on the artificial lighting. The lighter the general effect, the less light will be required. The following table will give some indication of the wide range in light required by different colors:

Dark blue reflects	6½ per cent of light falling upon it.
Dark green	10
Pale red	16
Dark yellow	20
Pale blue	30
Pale yellow	40
Pale green	46½
Pale orange	55
Pale white	70

Properties.—Window decorations and fixtures can be bought, rented, or made in the store's own workroom. Together with the background they form the stage setting for the display, and should, therefore, be selected with the greatest care in order that they may harmonize with the merchandise and background.

The small store will find it in many cases advantageous to buy its decorations already made up, even though the cost may be a trifle more. The finished appearance of decorations and properties made by professionals will more than make up for the difference in expense.

Cleanliness.—Dust on window displays is fatal to effectiveness. Only a trifle less harmful is dirt on the show window pane. The first can be avoided by frequent changing of displays and careful cleaning of window space each time. The latter is a question of attention to a few simple rules.

For example, windows should not be washed when the sun is shining on the glass, because this causes streakiness. Grit in the water will scratch the glass and mar its polish. If water is hard a few drops of ammonia should be used to soften it. Bon Ami or other polisher can be used for the outside if it is thought desirable. Inside, however, cleaning should be done with tissue paper. Cloth is apt to leave lint on the glass, while soap leaves streaks which it requires much rubbing to remove.

The ordinary method of cleaning is to use a long-handled brush, working from the top, and before the window is dry using a rubber squeegee or mop.

Window and Show Cards.—The window display without the help of window cards must depend for its efficacy on the skill which the window dresser has shown in arranging merchandise. Where the idea aimed at is the attracting attention rather than selling goods, window cards are sometimes omitted. But since the great majority of windows are dressed with the express purpose of selling goods, the window cards become an important and essential feature.

Cards are in the nature of headlines, giving the essential features of the display in a flash, and in many cases carrying a statement of price, since this is a question the majority of customers are interested in.

Cards are equally important within the store, especially on bargain lots of merchandise, where much time is saved for the salesperson through sufficient and adequate placing of cards.

A prominent display man's advice in regard to window cards is excerpted from the *Twin City Commercial Bulletin:*

The layout or arrangement of words is as important as the

correct formation of the letters. Accurate spelling is essential. Phrasing must be selected with great care. Any mistakes in grammar will inevitably reflect on the store.

The phrasing of window cards should tell the passer-by something about the merchandise which will interest her at first glance. Therefore, the placing of the cards is important. Placing window cards tightly against the glass is a mistake. They should be set back in such a way as to harmonize with the general effect of the window trim. Each card should be set out separately from stands, figures, or drapes. A card should never be stood up against a well-gowned figure.

One popular method of placing cards is to stand them in front of a small "T" stand away from any other part of the display.

As far as interior cards are concerned, it is not good policy to have a great many mixed sizes on one counter. Uniform sizes are better. In all cases they should be kept clean, and type should be of uniform size and style.

Colored carboard and letters may be used to carry out the general color scheme of the window trim. Black letters on a white background, however, are best for general purposes.

Cards in windows and in the store should be carefully coordinated to secure the maximum selling effect.

Counter Displays.—Much of what has been said in regard to window display refers to counter display, especially since the glass show cases have become almost universal. There are some differences, mainly due to the fact that the displays may be left for a longer interval.

Bulky displays are generally to be discouraged, as they do not aid in selling as much as a judicious assortment in small quantities. Carrying out the unit idea in counter and table display has proved very effective. For example, Marshall Field and Company, in their undergarment department, show only one garment of a kind on each table and keep all displays small and neat, replenishing them as frequently as necessary.

CHAPTER XXX

SALES AND SELLING PROBLEMS

Sales Fundamentals.—Sales may be divided into two classes:

1. Incidental.
2. Seasonal.

Incidental sales may result from the buyer's acumen in careful purchasing or a mistake in judgment on his part, leading to overstocking of a particular line. They may also come about as the result of business expansion or business stimulation caused by the action of competitors.

The incidental sale occurs as a rule when the necessity for it occurs. The seasonal sale, which is usually a yearly occasion, has an advantage in that preparations may be made months in advance for staging it successfully.

No matter what the occasion of the sale, there are certain points which must be decided upon definitely before making further plans:

1. The idea back of the sale must be clear.
2. The number of days the sale will continue must be known.
3. The time for the opening announcement must be set.
4. The number of departments to be represented must be decided upon.
5. The question of time limits to sale of merchandise included in the sale should be discussed.

When these points have been decided upon, there are certain elements which will bring about the success of the sale. According to A. W. Shafer, advertising manager of L. Klein, Inc., of Chicago, these are:

1. A distinctive "reason why" name.
2. Merchandise to back it up.
3. Unusual values.
4. Proper window display.

A MERCHANDISING CALENDAR THAT SHOWS THE "HIGH SPOTS" OF 1919

The following calendar has been prepared as a handy reference to show just when each of the 12 apparel departments (including piece goods) hit the "high spots" during the fiscal year of 1919.

In the calendar appear only those weeks when unusual activity occurred in one or several of the departments. It is intended to serve as a reminder during the year of 1920 of the approximate periods during which big business may be expected in each department, if last year's experience repeats itself.

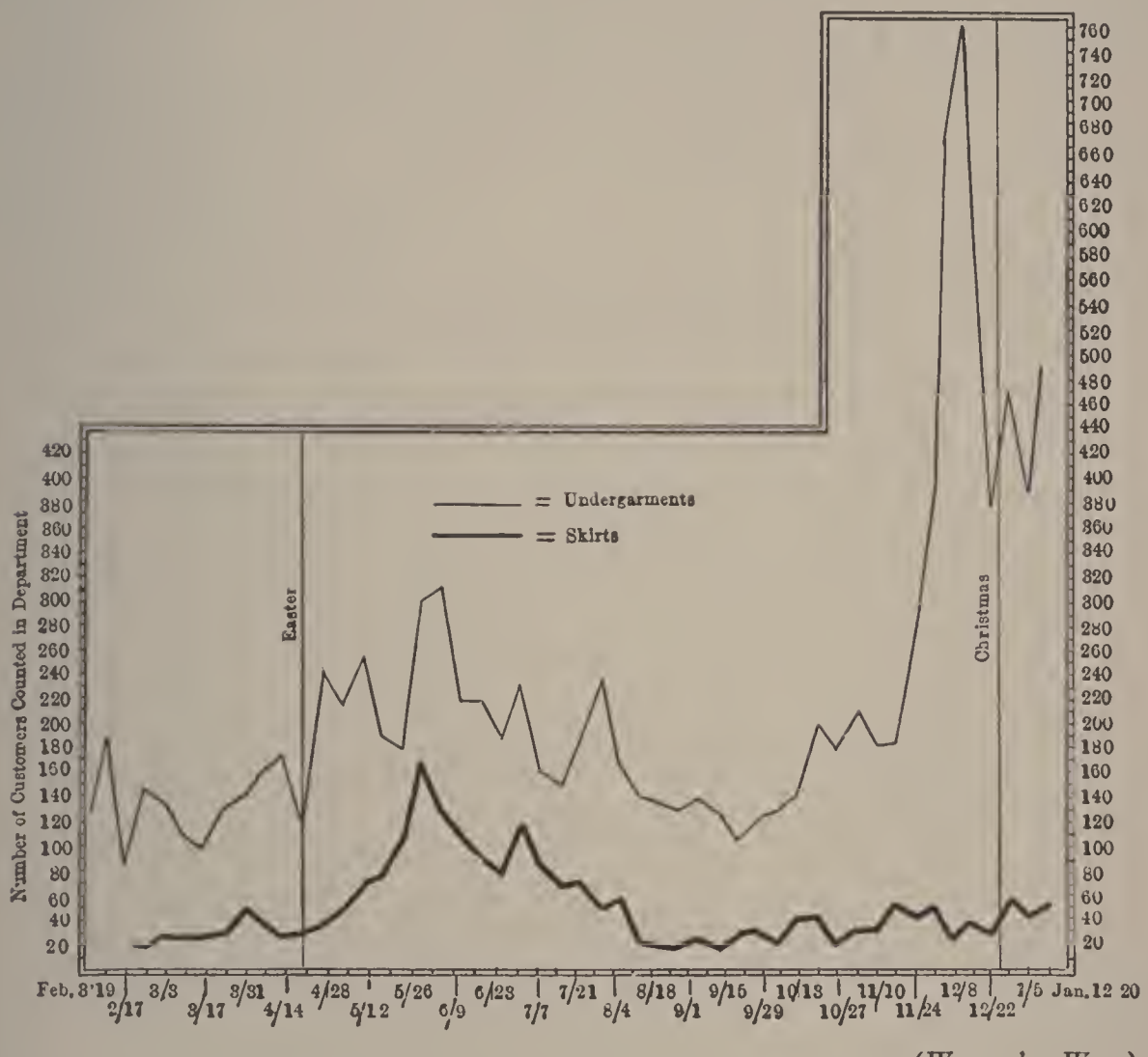
DATE	ACTIVE DEPARTMENTS
Week of January 5	Coats
" " January 12	Piece goods Undergarments
" " March 3	Piece Goods
" " April 1	Piece Goods Waists Suits Coats
" " April 7	Millinery
" " April 14	Gloves
" " May 26	Millinery
" " June 2	Dresses Skirts
" " June 9	Piece goods Waists Neckwear Undergarments
" " July 14	Sweaters
" " Sept. 15	Millinery
" " Oct. 20	Piece goods Gloves
" " Nov. 3	Suits Coats
" " Nov. 10	Millinery
" " Nov. 24	Furs
" " Dec. 8	Gloves Neckwear
" " Dec. 15	Undergarments
" " Dec. 27	Dresses

It will be observed that February and August are the only two months in the year in which activity in none of the 12 departments rises to any considerable height, which probably accounts for the fact that these two months are favorite furniture sale and housefurnishing months in the department stores.

FIG. 91.—Merchandising calendar.

5. Good advertising.
6. Interior display.
7. Salespeople's enthusiasm.
8. Planning.

Seasons and Sales.—Of the factors affecting sales, the seasonal aspect is greatest in importance. Nearly every article sold by the store is subject to fairly definite seasonal fluc-



(*Women's Wear*)

FIG. 92.—Chart showing how the public bought undergarments and skirts during 1919 in the leading stores of New York City.

tuations. In style articles this fluctuation is very great, while in staple departments it is much less.

Figure 91 shows a merchandising calendar prepared by *Women's Wear,* indicating the peaks of demand for each type of goods sold. There are no seasonal peaks in February and August. This fact is responsible for the attention paid such departments as furniture and housefurnishings during those months.

Figure 92 shows the seasonal demand for undergarments and skirts during 1919 in the leading stores of New York City, as charted by *Women's Wear*. There is a peak in May, a slight one in August, and a dominant one just before Christmas in undergarments. The demand for skirts is active chiefly in spring.

The importance of such charts of selling activity lies in the fact that the greater the demand, the less pressure has to be brought to bear to induce the public to buy.

The Anniversary Sale.—A store's birthday has always been considered a legitimate opportunity for offering a special sale to the public. One of the most successful plans for this type of sale is to have a number of articles priced at figures indicating the number of years the store has been in existence. For example, if a store has been operating for fifty years, then a 50-cent sale would be possible, the articles sold being priced at 50 cents, $1.50, $2.50, $3.50, etc. Figures representative of the age of the store may be used extensively in the store decorations, window displays, and in any special advertising prepared for the event.

A common device is to link the history of the store with the history of the community. Any community takes pride in the development of itself and its institutions. There should be reference to conditions as they were when the store was founded. While, in general, historical references are not advisable, they are always welcomed on such an occasion as this. Thus it is possible to display the form of earlier advertisements, or compare the style of the merchandise of earlier days with the styles of today. If the store can obtain photographs of local buildings, streets, etc., taken at the time the store was founded, or during its early days, and place these in the show windows with descriptions, much interest may be aroused.

Several stores have made it part of the anniversary program to provide music. The golden anniversary of the Wanamaker store in Philadelphia is probably the classic example of what can be secured in the way of anniversary publicity.

It is not necessary that a store should be old in order to make a success of its anniversary sale, as is witnessed by the

eighth anniversary program of the Kaufman and Baer store of Pittsburgh. Ten days before the sale commenced all merchandise for the first week was in the marking room. Floormen were told of the sale two weeks in advance. The Thursday before the sale employees' enthusiasm was secured by a special meeting with speeches, songs, and refreshments.

Publicity for the sale was secured first of all by a teaser billboard and newspaper campaign. Secondly, a four-page rotogravure bulletin was mailed to 100,000 people in Pittsburgh and suburbs featuring the store and its surroundings, and containing an announcement of the sale. Thirdly, a four-page, double-truck advertisement in the Sunday paper completed outside publicity.

Openings.—Spring and fall openings are regular events in many stores. The usual feature of such an occasion is the fashion show in which most of the local merchants cooperate. A good press agent who can write not only news articles, but also descriptive material on color schemes, decorations, women's apparel, etc., is necessary. He should begin by running short news articles in all newspapers, first announcing dates, and then the further particulars of new designs and fashions.

Contests of various kinds may be used to stimulate interest. A common expedient is a poster contest with an appropriate prize. The exhibition of the competing posters is also an attractive feature in the display advertising.

Window display contests among the stores may also be arranged. Special lighting and decorations on the streets also serve to call the public's attention to the opening.

A parade of living models is always an important drawing card. If this is not possible, moving pictures of fashion shows may be obtained.

Buyers for departments affected by the fashion show usually are against any announcement to the public of an opening sale until it can no longer be deferred. They argue that every woman in the city stops buying in their departments until after or during the fashion show. Thus two or three weeks is usually the limit for advance announcements.

Bargains.—The selling of bargain merchandise has passed through three distinct phases, all of which are still in operation:

1. The bargain table in the store aisle.
2. The bargain basement under control of upper-floor buyers.
3. The bargain basement as a separate merchandising organization.

It was found out comparatively early in retail merchandising that goods prominently displayed on tables in aisles where traffic was heavy succeeded in disposing of a great deal of merchandise. The aisle table is still extensively used and with profit, but there are certain factors which tend to discourage its use too widely.

In the first place, the bargain table is claimed by some to hurt sales in neighboring departments, not only through actual loss of sales at the time, but also because the bargain atmosphere lent by aisle tables tends to discourage customers desiring to make quality purchases.

Modern fixtures provide ample room and space for display without the use of tables.

The proper function of tables seems to be for sales where the store wishes to give as much bargain atmosphere as possible. It is also felt by many stores that aisle tables on a main passageway are excellent means of disposing of certain types of merchandise. Some stores rent table space to the different departments desiring to dispose of merchandise at bargain prices.

The original bargain basement was created for the purpose of clearing out old stock, remnants, unsatisfactory purchases, damaged and soiled goods, and any which could not be sold on the upper floors and which had to be got rid of at any price. Stocks were displayed under the worst possible conditions, and the cheapest selling help obtainable was employed.

The next step in the evolution of the bargain basement was special purchases for basement sales made by buyers for the upper floors. But it was soon found impossible to make the basement a success merely as a clearing house of old goods. Therefore, stores began to make the basement a separate mer-

chandising activity with its own staff of buyers. The aim is always to dispose of merchandise at the lowest price and the best quality obtainable. Marshall Field and Company of Chicago and the Emporium of San Francisco run complete basement stores, the former carrying a full line of goods.

Buying for the bargain basement requires exceptionally keen judgment and the ability to make quick decisions. It also requires a knowledge of merchandising values above the average, since the margin of profit is smaller and the turnover must be very rapid to secure profits.

According to Mr. Niswonger, of the Emporium, the net profit in a bargain basement should be about 7 per cent of the sales. This can be attained only by the highest type of efficient buying and by rapid turnover. One of the most ordinary devices in bargain basements is the automatic reduction, which secures new stock at the end of a certain period as a result of following the system. The ordinary form of the plan is as follows:

1. After 12 selling days, goods reduced 25 per cent.
2. After 18 selling days, goods reduced 50 per cent.
3. After 24 selling days, goods reduced 75 per cent.
4. After 30 selling days, goods given away.

Under such a system the stock must turn over at least once a month, and since the store does not make any profit unless goods are sold during the first twelve days, the actual turnover is much more rapid.

Edward A. Filene describes the reception of the automatic bargain basement plan in Boston, where it was originated by the Wm. Filene's Sons Company, as follows:

> In the first months of business we lost over $20,000 a month because the people waited, under that inducement, for the first, second, or third mark-down. But after two or three months they found that if they waited the goods were not there when they came for the first reduction. On the average we sell goods at the first price we make because our buyers have learned that they cannot buy, to make a profit, except they buy cheaply enough to make the customers sure that they are getting extraordinary value at the first price.

The majority of stores operating bargain basements allow customers the same privileges in the way of free deliveries,

elevator service, charges, C.O.D's, etc., as on the upper floors. In general, however, free alterations are not permitted. Bargain basements are generally advertised, the average percentage of money spent for this purpose being about 4.6 per cent. In general, the larger the store, the higher the percentage of basement sales is to the total business.

In an investigation conducted by the National Retail Dry Goods Association, the average mark-up for basement merchandise was found to be 37 per cent. Table XXIII shows in detail merchandise data disclosed by this survey, arranged by volume of business, as to percentage of mark-up, gross profit, purchase discount, mark-down, inventory shrinkage, sales per square foot, and average sale.

It is interesting to note that the store with the largest volume of sales had a mark-up of only 31.8 per cent.

Table XXII shows more detailed information for a single store by departments.

The highest mark-downs were in haberdashery, knit underwear, negligees and infants' wear. The lowest were in corsets, skirts, misses' coats, millinery and dresses. Inventory shrinkage shows a wide range. The stock turn varies with the type of merchandise, the seasonal articles in general having a higher turn than the staples.

Table XVIII shows the distribution of basement expense, classified according to the standardized plan of the Controllers' Congress of the National Retail Dry Goods Association.

The highest cost of doing business was 31.5 and the lowest 17.5, while the average was approximately 25 per cent.

Sales by Departments.—It is difficult to make any exact statement as to what percentage the sales in each department should be of those of the whole store. In the first place it is difficult because of the fact that two stores rarely carry the same lines throughout, and in the second place because of the widely different methods of classifying merchandise now in use. Lastly, in some stores the selling effort, either because of policy or because of special interest on the part of the owner, is directed towards some particular department, with

TABLE XVIII.—EXPENSE DATA (PER CENT OF GROSS BARGAIN BASEMENT SALES)

DISTRIBUTION OF BASEMENT EXPENSE

Gross Sales in Bargain Basement, 1920	Total Expense	General and Administrative	Occupancy	Publicity	Buying	Selling
$4,500,000—Store 2 (apparel only)	23.7	6.3	1.9	3.9	3.3	8.3
$2,750,000—Store 12	26.5	.....	.....	.....	.....	.....
$2,000,000—Store 9	23.4	.....	.....	.....	.....	.....
$1,500,000—Store 14 (apparel only)	28.8	7.9	3.5	8.5	2.5	6.4
$750,000—Store 11	20.0	4.0	4.0	5.0	2.0	5.0
$500,000—Store 18	26.5	.....	.....	.....	.....	.....
Store 19	26.9	5.3	4.7	4.3	0.9	11.7
Store 23	26.9	5.3	4.7	4.3	0.9	11.7
$250,000—Store 16	17.5	.....	.....	.....	.....	.....
Store 20	28.2	5.0	10.0	3.0	2.9	7.3
Store 24	20.5	7.1	3.1	3.1	.....	7.2
Less than $250,000—Store 25	31.5	.....	.....	.....	.....	.....

General and Administrative Expense includes: payroll, taxes, supplies, unclassified, traveling, communication, insurance, depreciation, legal expense, contributions.

Occupancy Expense includes: payroll, rentals, taxes, supplies, unclassified, light, heat, power, fixtures, repairs and replacement, insurance, depreciation, maintenance.

Publicity Expense includes: payroll, rental, advertising, supplies, unclassified, traveling, communication, fixtures, repair and replacement, contributions.

Buying Expense includes: payroll, rental supplies, unclassified, traveling communications.

Selling Expense includes: payroll, supplies, delivery, unclassified, traveling.

TABLE XIX.—COMPARISON OF AMOUNT OF BUSINESS DONE BY DEPARTMENTS IN FOUR STORES

Percentage of Total Business Done in Each Department, Jan. 1, 1921, to Jan. 1, 1922

STORE	No. 1	No. 2	No. 3	No. 4
Art Embroidery	2.34	2.40	5.00	2.30
Blankets, Comforts, etc	4.17	2.90	1.10	2.70
Barber Shop	0.19			
Beauty Parlor	0.55			
Books	2.36	3.40	0.60	
Cameras		1.90		
Candy				0.80
Carpets, Rugs	4.82			3.90
China, Glassware	2.47	1.50	0.80	2.70
Clothing (Men's)	3.43	3.00	3.00	5.60
Clothing (Boys')	1.16	2.30	2.00	
Coats (Women's)	5.48	7.00	3.50	
Coats, Dresses (Girls')		4.10	1.10	
Contract				0.20
Corsets, Brassieres	2.52	2.70	1.50	2.30
Cotton Sheets, Pillow Cases				
Draperies	2.25			
Dresses (Women's)		5.10	4.40	
Dress Goods (Wool, etc.)	5.35	2.20	0.80	1.60
Dress Trimmings	2.87	4.30		1.00
Embroideries, Laces			1.40	
Furniture	2.86			
Furs		2.70	1.80	
Gloves (Women's and Girls')	1.04	1.60	1.30	2.50
Hair Goods				0.50
Handkerchiefs		4.50	0.70	
Hats (Men's)			0.40	
Holiday Goods				0.40
Hosiery (Women's)	5.02	4.50	2.70	5.00
Hosiery (Men's)				
Housefurnishings	2.81	2.70	1.90	1.00
Infants' Wear		2.80	1.20	2.90
Jewelry	3.19	1.30	0.80	1.20
Knit Underwear (Women's)		2.40	1.00	1.50
Laces		5.60		
Lamps, Shades		2.60		
Leather Goods		3.70	1.00	
Linens		2.80	1.40	1.90

TABLE XIX.—CONTINUED

Percentage of Total Business Done in Each Department, Jan. 1, 1921, to Jan. 1, 1922

STORE	No. 1	No. 2	No. 3	No. 4
Linings	3.45		0.40	1.70
Lunch Room Emp	0.29			
Men's Furnishings	3.61	2.90	4.10	7.30
Millinery	2.10	5.30	2.20	4.90
Muslin Underwear	2.53	3.10	1.80	2.20
Neckwear	1.45	4.40	0.70	1.20
Negligees		5.50	7.70	
Notions		5.70	1.50	
Optical Goods	0.19			
Patterns	0.48	3.50	0.30	0.10
Pictures and Mirrors	0.45			
Pianos and Talking Machines	3.12			3.10
Restaurant	6.12			
Ribbons	1.06	5.70	0.80	0.70
Ready-to-wear				12.40
Shoes (Men's)	0.63	2.40	0.50	
Shoes (Women's)	7.05	2.70	3.70	2.30
Shoes (Children's)		2.70		
Silks and Velvets	5.35	4.10	2.80	4.10
Silverware	0.74	1.60		
Stationery		3.70	1.00	
Suits, Coats, Dresses, etc. (Misses')		6.70		
Suits (Women's)		5.80	2.60	
Skirts (Women's)		8.20	0.80	
Sweaters (Women's)		5.00	1.00	
Toilet Goods	1.77	3.20	1.70	1.70
Toys, Baby Carriages, etc	2.65	3.10	1.30	0.90
Trunks and Bags		2.00	0.50	0.10
Upholstery				3.30
Veilings		8.10		
Wall Paper				3.70
Waists	1.47	4.80	2.60	1.70
Wash Goods, Flannels, etc		6.00	2.30	2.10
Entire Store (average)	2.56	3.30	1.77	

TABLE XX.—SUMMARY OF SALES STATISTICS

Departments	No. of Sales	Average Sales	Am't of Sales per Sq. Ft.	No. of Sales per Sq. Ft.
House Furnishings	76,540	2.11	34.27	16
Optical	5,106	3.88	53.02	13
Candy	62,375	.31	109.13	347
Millinery Trimmings	.....	.....	.....	.....
Music	5,231	12.25	37.68	3
Cleansing	6,015	.52	40.61	78
Yarns	65,965	1.43	161.54	113
Stamping	.....	.....	.....	.....
Fur Storage	916	11.20	160.47	14
Pianos	.....	.....	.....	.....
Fabric Gloves	67,823	1.02	182.88	120
Men's Shoes	8,901	3.94	55.91	14
Shoeshine Parlor	10,119	.10	16.38	158

the result that this department shows an abnormal percentage of sales in proportion to the others.

Table XIX, prepared by the *Dry Goods Economist,* shows the percentage of total business done in each department of four stores of varying size. No. 1 does a business of less than $1,000,000 annually; No. 2 does about $1,500,000; No. 3 between $3,000,000 and $4,000,000, and No. 4 about $10,000,000. There seems little uniformity. In fact, the table is more noteworthy for the lack of any basis of comparison than it is for anything else.

The National Retail Dry Goods Association has gone so far as to make up a series of sales statistics showing number of sales in each department, the average sale, the amount of sales per square foot, and the number of sales per square foot. See Table XX.

Dealer Helps.—It is impossible to offer any definite reply to the problem of whether dealer helps should or should not be used. The policies of the individual differ, and the type of dealer help varies with the concerns sending them out. In every case it depends upon the particular problems on hand.

National Retail Dry Goods Association
Bureau of Research and Information
200 Fifth Avenue, New York, N. Y.

Table XXI.—Sales Statistics for 1919

Departments	No. of Sales	Average Sales	Am't of Sales per Sq. ft.	No. of Sales per Sq. Ft.
Silks	46,604	$3.71	$148.10	40
Colored Dress Goods	20,467	6.20	79.72	13
Wash Dress Goods and Flannels.	62,291	1.66	72.45	43
Kid Gloves	50,158	2.20	182.88	120
Handkerchiefs	83,547	.87	137.29	158
Women's Neckwear	38,122	1.19	110.39	92
Laces and Hamburg	37,710	.80	88.69	111
Hosiery	99,659	1.35	142.23	105
Knit Underwear	100,409	1.63	184.61	109
Ribbons	139,162	.57	109.06	162
Small wares	250,815	.31	206.94	674
Linings	40,219	1.77	137.59	77
Dress Trimmings and Braids	33,378	.88	176.44	201
Suits	7,312	32.72	61.87	2
Coats	10,323	30.58	111.11	7
Cotton Dresses	21,468	2.91	37.25	13
Infants' Wear	46,877	2.34	51.05	22
Muslin Underwear	80,370	2.16	55.84	26
Silk Waists	21,288	4.65	63.13	20
Corsets	65,721	2.44	94.97	39
Art Goods	226,607	.66	100.38	152
Umbrellas	16,294	3.34	199.65	60
Table Linens and Towels	75,576	1.69	63.39	46
Patterns	29,352	.13	22.08	98
Boys' Clothing	36,776	5.65	61.02	11
Women's Shoes	66,965	4.24	84.77	20
Upholstery	49,421	3.06	33.68	11
Jewelry	34,858	1.04	59.31	57
Trimmed Millinery	110,277	3.77	55.51	19
Men's Furnishings	72,097	1.96	110.88	57
Leather Goods	23,965	2.21	78.89	36
Soda Grill	339,202	.24	54.17	222
Furs	2,365	39.25	52.85	1

TABLE XXI.—SALES STATISTICS FOR 1919.—*Continued*

Departments	No. of Sales	Average Sales	Am't of Sales per Sq. Ft.	No. of Sales per Sq. Ft.
Toys	35,095	1.83	38.84	21
Books	12,778	.93	119.20	109
Girls' Wear	22,223	4.70	65.15	16
Men's-Boys' Hats	5,153	2.55	35.90	14
Men's Clothing	17,362	15.32	97.51	6
Wall Paper	14,427	2.25	19.60	6
Velvets	10,568	3.05	92.84	15
Black Dress Goods	5,190	5.26	160.80	31
Veilings	37,674	.57	112.90	196
Men's Underwear and Hosiery	53,780	1.75	141.72	81
Hair Goods	24,575	1.04	23.72	23
Stationery	44,202	.57	49.95	88
Toilet Goods	133,023	.65	259.87	399
Trunks and Bags	14,582	3.26	34.35	8
Buttons	28,253	.48	99.03	205
Aprons	24,501	1.81	125.34	69
Junior Girls' Wear	8,234	7.44	73.90	10
Children's Shoes	38,730	2.28	61.22	27
Art Linens	14,328	2.26	109.42	48
Skirts	8,317	7.10	36.91	5
Untrimmed Millinery	.....	.....	.....	.....
Children's Millinery	.....	.....	.....	.....
Lamps and China	51,028	2.72	20.41	6
Cotton Waists	36,802	2.31	63.13	20
Kimonas and Bath Robes	10,478	3.55	48.37	14
Sweaters, Shawls, Bathing Suits	10,943	3.39	88.47	26
Petticoats	26,288	2.68	48.38	18
Floor Coverings	16,740	7.59	21.99	3
Lace Curtains	12,336	7.91	66.87	8
Shell Goods	18,919	.51	53.54	105
Cottons	59,698	2.84	130.34	46
Blankets, Spreads, Comforters	17,574	4.95	76.67	16
Clocks	4,305	3.58	151.21	42
Costumes	11,143	19.39	95.48	5
Boys' Furnishings	64,070	1.42	70.17	49
Sewing Machines	3,256	4.81	42.37	7
Silverware	34,240	2.59	446.65	178
Shoe Findings	21,291	.44	52.15	118
Upholstery Contract	2,124	3.49	12.86	4

TABLE XXII.—MERCHANDISE DATA, 1920, REPORTED BY A STORE HAVING BASEMENT SALES OF $4,500,000

	Per Cent Mark-up	Per Cent Gross Profits	Per Cent Purchase Discount	Per Cent Mark-downs	Inventory Shrinkage	Times Stock Turned
Corsets	35.4	32.4	7.0	3.9	0.8	9.3
Infants'	34.3	24.4	7.0	15.9	1.0	5.6
Muslin Underwear	29.4	19.3	7.0	10.1	4.0	7.4
Negligee	29.6	17.3	7.0	16.6	2.0	6.3
Hosiery	30.2	20.5	7.0	11.0	2.8	7.6
Knit Underwear	31.0	18.7	7.0	16.3	2.9	7.0
Women's Gloves	33.4	21.9	7.0	13.1	4.2	5.7
Boys' Clothing	31.9	23.4	7.0	15.0	.....	6.2
Haberdashery	29.5	16.0	7.0	17.0	3.2	5.6
Skirts	33.8	27.4	7.0	9.4	0.6	11.8
Women's Shoes	32.3	22.6	7.0	12.1	2.5	8.7
Coats	33.2	25.4	7.0	10.3	1.2	14.4
Misses'	33.7	27.5	7.0	7.8	1.5	13.3
Waists	29.1	20.4	7.0	11.4	1.2	11.0
Furs	27.6	13.3	7.0	10.8	9.2	8.0
Millinery	37.9	31.5	7.0	9.1	1.0	30.0
Dresses	30.6	24.0	7.0	9.1	0.6	17.0
Total Basement	31.8	22.8	7.0	11.7	1.8	8.6

TABLE XXIII.—MERCHANDISE DATA (FIGURED ON BARGAIN BASEMENT GROSS SALES)

Gross Sales in Bargain Basement, 1920	Per Cent Mark-up	Per Cent Gross Profit	Per Cent Purchase Discount	Per Cent Mark-down	Per Cent Inventory Shrinkage	Times Stock Turned	Sales per Square Foot	Average Sale
$500,000								
Store 13	33.4	22.3	.....	9.5	5.1	4.4	.....	.....
Store 15	40.0	28.0	.....	.....	.....	.....	.....	.....
Store 18	35.0	31.0	2.2	6.1	1.5	4.2	.....	2.42
Store 19	38.9	30.3	.....	7.8	0.8	2.7	.....	.....
Store 23	40.5	35.5	1.5	17.0	.....	3.0	23.70	.....
$250,000								
Store 20	31.7	24.0	2.1	0.6	3.8	5.2	.....	2.70
Store 24	.....	18.12	.....	.....	.....	3.5	56.48	.....
Less than $250,000								
Store 25	38.0	37.0	1.3	1.0	13.7	2.1	20.45	.....
Store 30	.....	.....	.....	.....	.....	4.0	.....	0.69
Store 32	39.0	12.0	2.0	.....	.....	.....	.....	.....
Store 33	46.0	.....	.....	14.0	.....	4.3	.....	2.50

TABLE XXIII.—MERCHANDISE DATA (FIGURED ON BARGAIN BASEMENT GROSS SALES)

Gross Sales in Bargain Basement, 1920	Per Cent Mark-up	Per Cent Gross Profit	Per Cent Purchase Discount	Per Cent Mark-down	Per Cent Inventory Shrinkage	Times Stock Turned	Sales per Square Foot	Average Sale
$4,500,000								
Store 2 (apparel only)	31.8	22.8	7.0	11.7	1.8	8.6	.....	$ 2.70
$2,750,000								
Store 12	.....	29.7	.....	.....	1.0	2.7	.....	.....
$2,000,000								
Store 9	34.0	25.4	2.2	14.0	2.7	4.0	$77.00	2.70
$1,500,000								
Store 14 (apparel only)	36.0	29.1	6.0	6.7	1.1	11.0	.....	18.75
Store 29	.....	30.2	.....	.....	.....	8.5	.....	.....
$1,000,000								
Store 17	38.0	28.0	2.0	.....	.....	4.0	.....	.....
$750,000								
Store 11	36.0	30.0	.....	6.0	.....	12.0	55.33	1.50
Store 21	.....	.....	.....	.....	.....	4.5	49.25	2.63

The commodity may be one which is nationally known, and where there is little attempt at substituting unknown merchandise. In cases of this sort, the advertisements of the manufacturers, if carefully planned and executed, are acceptable. The case of one manufacturer is pertinent. This concern has made a phenomenal success in the veiling field and their displays are shown in almost every store handling their product. On the other hand, where a commodity is less well known, and where there is keener competition among several makes, or where a store may substitute its own brand, the success of dealer helps, no matter how beautifully designed, is limited.

The use of dealer helps in particular departments may depend a great deal on the class of merchandise the store is interested in pushing. Almost every store has a separate and individual opinion as to how dealer helps should be used.

One factor in the acceptance of a display will be its adaptability to the store interior. The ultimate decision will always depend on the policy of the store.

Lost Sales.—One of the simplest methods of testing selling efficiency is to analyze reasons for lost sales, and to see whether they were lost because of the store's fault in not having proper merchandise, the salesperson's fault in not selling properly, or whether the losses were unavoidable.

It is quite likely that results will differ materially in different stores. For example, the results of an analysis of 200 sales

	Lost Sales
Indifference of salespeople	47
Attempts at substitution	18
Slow deliveries	18
Errors	18
Over-insistence of salespeople	17
Insolence of employees	16
Unnecessary delays in service	13
Tactless handling of customers	11
Bad arrangement of stock	9
Ignorance of goods by salespeople	6
Refusal to exchange purchases	4
Poor quality of goods	1
Total	200

failures by a New York department store given in the preceding table may not apply in another case.

Practically all of the reasons for lost sales were avoidable or at least reducible. The astonishing prominence of the lack of interest by salespeople in selling would seem to indicate the store had not found the correct solution of the problem of remunerating its selling help to secure 100 per cent cooperation.

Another store made a careful analysis, taking a department as a unit. A form sheet was used with four columns, headed Time, Salesperson's Number, Amount of Sale if Sold and Reason for Losing Sale. Time was noted each half hour by the inspector at the wrapping desk. Under Amount of Sales if Sold the sale of more than one article was noted. Every customer entering the department had to appear on the sheet whether sold or not.

Each day during the tests the results were taken up with the salespeople and much individual work was done where weaknesses were discovered. Thus whereas on the first day but 55.1 per cent of the customers coming into the department were sold, on the last day of the test 94.2 per cent of the customers were sold.

Still another store conducted a survey of the negligee and shoe departments to determine the percentage of customers sold. These two departments were selected because the negligee department is a strictly non-traffic section, while the shoe department is directly on the traffic line. Slips were given to salespeople with spaces on which were entered sales, customers looking, customers already waited on, and customers directed to other departments.

Customers not falling into any of the above four classifications were counted as lost and in each such case the reason for the loss of the sale was given. Customers looking were added to lost sales on the theory that as sales possibilities they should have been sold. Results arrived at were as follows:

During one month, 6,838 people were approached by salespeople in the negligee department; 3,177 sales were made, 1,280 were directed to other departments, 894 had already

been waited on and 1,183 were "looking." The actual number of customers who left the department unsuited was 304. Percentage of sales made was 68.1 against 31.9 lost.

In the shoe department, 9,533 customers were approached during one month. The number of sales made was 4,498; 1,636 customers were directed to other departments, 745 had already been waited on, 847 were "looking" and 1,422 were frankly unsuited. The percentages show that 47 per cent of the customers were sold and 53 per cent not sold.

Selling by Telephone.—Customers have always used the telephone as a means of ordering merchandise, but the practice is relatively infrequent of the store's using the telephone to increase its business. In general, the opinion has been held that the customer should be brought to the store in order that she may purchase other articles while looking for a specific need. This is sound theory and sound practice as well, but there are many sales which it is possible to make over the telephone, and which would never be made under other circumstances.

The requisites for such a sales campaign are a carefully made up list of regular and prospective customers, specially trained order-takers, prompt deliveries, and careful selection of merchandise. Part of the list is telephoned each day according to a prearranged schedule. Care is taken to avoid calling up when the customer is likely to be busy.

Some stores which have tried out this idea are enthusiastic in its favor.

Discounts.—Discounts were granted originally to enlist the good will of certain classes of people whose daily duties brought them in touch with the purchasing public, and whose good will therefore became an active asset to the stores from whom the bounty was received. The concession was extended to others, and, as time passed on, it became badly misused.

There is no valid reason why dressmakers, clergymen, professional people and employees of other stores should receive such discounts. The system is expensive in that it requires the identification of those demanding the reduction, while persons may get it directly or indirectly who are not entitled

to it. It has become the practice of many dressmakers to purchase cloth, trimmings, etc., for members of their own family and even for other people whom they want to serve, while they often sell such goods at a profit which rightfully belongs to the retailer.

It is difficult for any one merchant to discontinue the practice of discounts without causing serious complaints from customers and a loss of trade. But if all local stores adopt a uniform policy against the giving of discounts, such complaints are reduced to a minimum. The tendency today is strongly towards the elimination of discounts. One association has had the following agreement in faithful operation for several years:

> We, the undersigned members of the.....Merchants' Association, hereby agree and pledge ourselves to discontinue absolutely the giving of discounts on the retail sales of all merchandise of every description in our respective stores, to any person or persons, excepting employees of our own stores, who shall be entitled to a discount of 10 per cent on goods purchased for their own personal use.

In some cities a discount of 6 per cent is customary, while in New York, Chicago, and St. Louis 10 per cent is the prevailing concession.

For firms finding it impolitic to abolish dressmaker's discounts entirely it is desirable to require dressmakers to present discount cards when purchasing. These cards should be issued only after a careful scrutiny of the dressmaker's business by the local merchants' association.

Gift Certificates.—Certificates, bonds or merchandise orders are issued by many stores at the Christmas holiday season, both as a convenience to customers and as a means of increasing trade. The purpose is to give them in place of gifts in order that the recipient may pick out his or her own choice. The donor is freed of the trouble of picking out individual gifts which may or may not prove satisfactory.

The certificate, naturally, is limited to the city where the issuing store is located and cannot be used for out-of-town gifts.

Gift certificates are generally colored green to give the im-

pression of currency, and to provide a holiday atmosphere appropriate in a Christmas gift.

Premium and Trading Stamps.—Among the many questions of sales and merchandising operation coming up for decision is that of premium and trading stamps. Merchants are generally opposed to them on principle because of the added expense of doing business without any return. The hold of the trading stamp with the public lies in the belief that it is getting something for nothing. It fails to see that the stores must charge more for the goods in order to pay for the premium service. Where all stores give stamps there is obviously no advantage to any of the stores. In any case it is a fundamentally unsound merchandising principle, because it does not lead to making customers regular customers, and can never take the place of other forms of publicity. The use of trading stamps is today obsolescent. In New York City it is virtually obsolete among department stores.

Many stores, while seeing the fundamental unsoundness of the principle, adopted the practice to hold their trade in competition with stores giving trading stamps. Any attempt to pass laws forbidding trading stamps is met with decisions in the courts declaring such laws unconstitutional as depriving a citizen of his property without due process of law. Campaigns against trading stamps, therefore, have usually taken the following forms:

1. The adoption of an individual premium scheme by the merchant.
2. Building a spirit against stamps throughout the trade by means of resolutions at conventions.
3. Local newspaper advertising by individual merchants or groups of merchants pointing out the expense and other disadvantages of the trading stamps.
4. Trade paper opposition.
5. Mutual agreement.

It has been predicted that the practice of giving trading stamps will eventually dwindle to small proportions through the effect of competition, and the recognition by the stores that it is impossible to pay the necessary percentage to the

stamp companies and still offer the same values in merchandise as before.

The best method, as in the case of discounts, is for united action on the part of local merchants. Such was the case in Providence, Rhode Island, where leading merchants agreed not to give trading stamps.

CHAPTER XXXI

SALES DIRECT BY MAIL

The high cost of present day advertising in desirable media has made many retailers question whether direct mail cannot profitably strengthen and supplement the present sources of appeal. There are three factors which make such a result possible:

1. It is possible to offer merchandise to the public without informing competitors at the same time. A direct mail announcement may offer an overstocked line without fear of attracting immediate price-cutting from other stores.

2. It is possible to address small definite classes of people in a personal manner. With a well-analyzed list, it should be possible to get maximum results in the majority of instances, because it is making a direct appeal to people who are likely to be interested in the very merchandise you give publicity to.

3. The expenditure for the mailing list is wholly controlled by results. The size of the mailing list and the character of the publicity will make up the cost.

There is a distinction between Mail Order and Direct Mail. The latter is primarily to get the customer interested to such a degree that she will come into the store to buy—the purpose of the former is to get the order and money by mail. The first not only makes a sale but builds good will at the same time.

Organization of Mail Advertising Department.—The organization necessary for the department will depend wholly on the purpose for which the direct mail advertising is conducted. Is it a convenience for customers, or is it a definite part of the publicity program of the store and used as a business builder? Figure 93 shows the organization of a direct mail department, under the head of the publicity director,

and quite distinct from the newspaper advertising department or of the mail order department. In many direct mail departments, however, the mail order work is made a subsidiary activity.

The case of the mail order department is somewhat different. Figure 94 shows the organization plan of a large New York

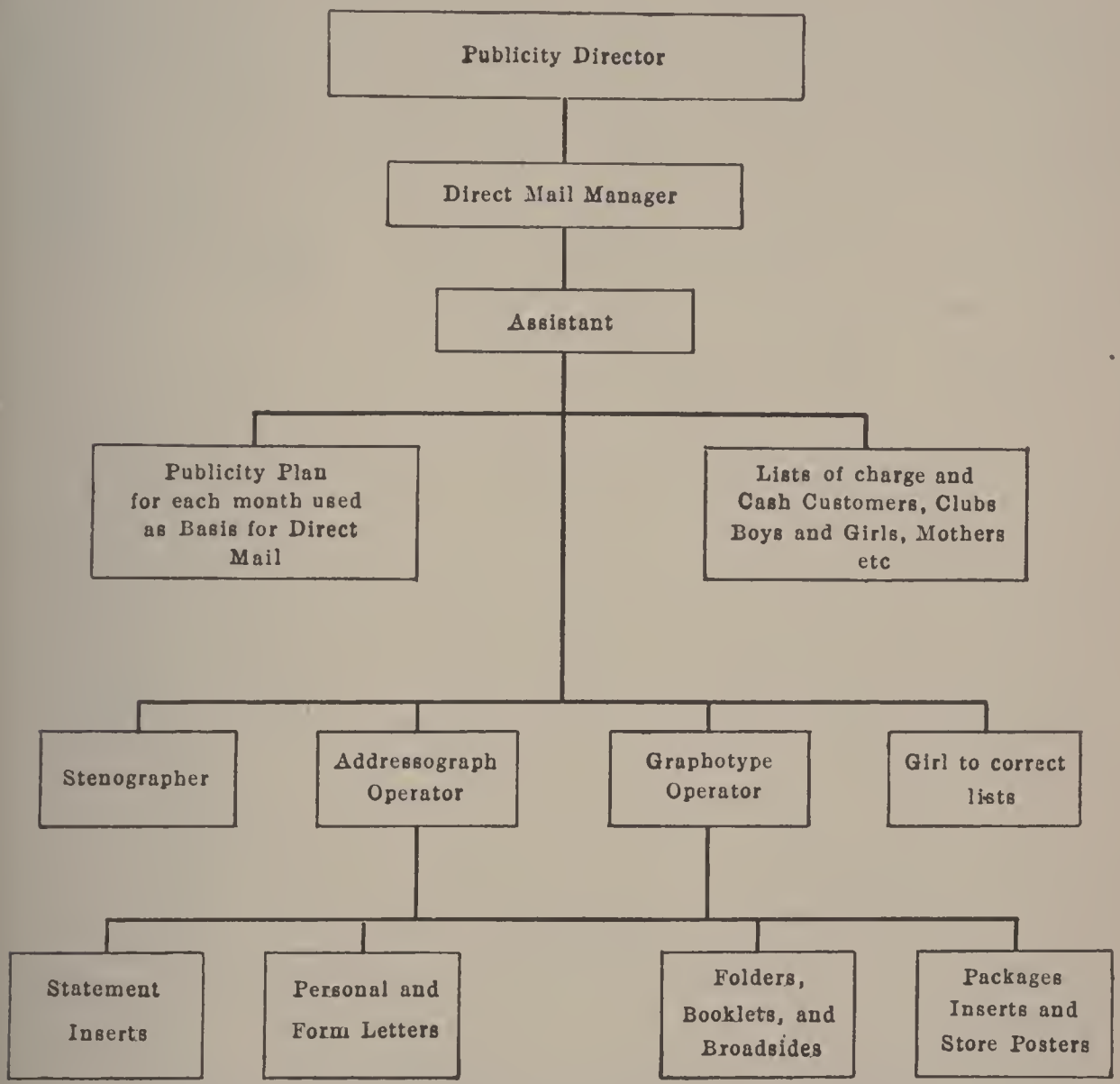


FIG. 93.—Organization of a direct-mail department.

specialty store doing a mail order business of about $2,000,000 per annum. Comparison of the activities of these two departments shows that the mail advertising department's activities are chiefly directed towards the make-up of the catalogue and methods of distribution. This particular mail order house caters to a small select trade, and the mail order policy is that any customer may obtain just as good a gown by mail as though she were to come into the store herself. The same merchandise in this store is sent by mail as is sold in the

regular departments. It has been found that the matter of fitting mail order patrons is difficult, returns often being as high as 50 per cent.

The plan followed by Altman's is in contrast to the above, and in many ways novel. The sixth floor is given over to merchandise advertised in catalogues, folders, etc., sent by mail direct to customers. It was found much simpler to concentrate such merchandise on one floor for the convenience of customers who preferred to come to the store rather than have the merchandise sent by mail. This catalogue store works independently of the rest of the store in the same way that the bargain basement is usually treated. That is, the merchandise

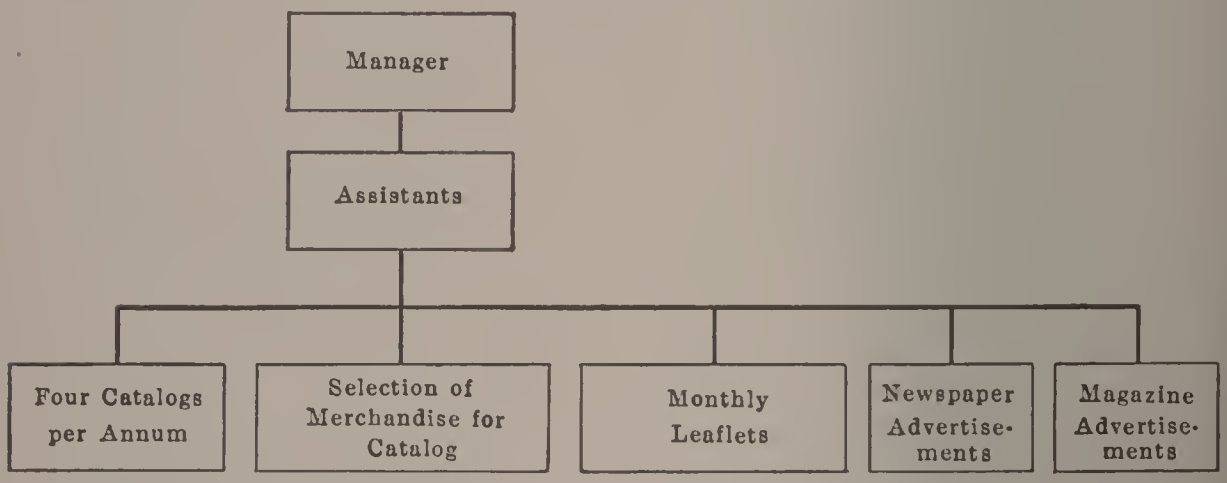


FIG. 94.—Organization of a mail advertising department.

is quite separate from that carried in regular departments. The character of the merchandise conforms to mail order requirements of standardized lines at moderate prices. Only catalogued articles are carried.

Planning.—Before deciding on media of publicity, or line of goods to be offered, or any other factor connected with the mail order campaign, a preliminary analysis of conditions should be made. The following list of twenty-five questions found by one advertising specialist most helpful in analyzing problems of direct retail advertising is quoted by Robert E. Ramsay in the *Dry Goods Economist:*

1. What is the nature of the merchandise to be sold? That is, is it old or new; utility or luxury; seasonable or not; and what is the unit of sale and the margin of profit?
2. What selling points or features are there about this merchandise

which will interest buyers? Patented or not. Novelty or specialty? Staple or accessory?

3. What competitive direct advertising has already been issued to our prospects?

4. Where are the possible buyers located? City or country; large or small towns? Class of city or country—as mill town, or suburban city?

5. Who are the possible buyers? Men, women, or children?

6. What kind of people are these possible buyers? Refined or otherwise? Studious or superficial? Limited or broadly educated? Technical or professional?

7. To what kind of an appeal do you think they will respond? Dignified or bizarre? Humorous or scientific? Flash or subdued? Colorful or conservative? Economical or snobbish?

8. What is the financial or social standing of our prospects?

9. Whom are they buying for? Self? Husband? Wife? Child? Parent?

10. What is their annual income or budget for buying such goods as we offer?

11. Where will our direct advertising be received? Office or home?

12. When will it be received? Hour? Day? Week? Month? Season? Event?

13. Who will open and read this appeal? Proprietor or clerk? Housewife or private secretary?

14. By what light will it be read? Daylight or artificial?

15. How will it be handled? Clean or soiled hands? Dainty fingers or rough ones?

16. How long will the piece be expected to appeal? Casual observation or continuous and close study?

17. What can be invested in the unit or the campaign with all returns considered?

18. What is the aim of the unit? Sales, inquiries, good will, supplementary to other advertising?

19. How will it be individualized? That is, how made personal, the keynote of direct advertising success? Name? Business? Sex? Geographical? Fraternal?

20. What will probably be the physical classification of direct advertising used? Letters—form, personal, printed, or novel? Catalogues—booklets, bulletins, portfolios, almanacs, house organs, mailing cards, blotters, enclosures, coupons, package inserts, broadsides, poster stamps, folders, photographs, novelties, or samples.

21. What will be the method of the appeal? Copy, illustration, display, paper? If copy, long or short, technical or general? If paper, high, medium, or low-grade?

22. How many appeals will be made and when will they follow? Monthly? Weekly? Daily? By seasons.

23. What kind of an envelope or other container will carry the appeal? Size, shape, copy?

24. What kind of a return card, order blank, or other "come back" will be included?

25. Will it be possible to make a trial or test mailing to a small list prior to making a mailing to the complete list? With letters, most frequently used by retailers, this is easily possible, and highly profitable.

MAILING LISTS

Sources.—The mailing list is the basis of all direct-by-mail publicity. On it depends the efficiency of the whole campaign. Hence the list cannot be given too careful consideration. It is necessary to decide just what type of customer is desired upon the list. The common types may be classified into three groups as follows:

1. Prospects.
2. Partial Buyers.
3. Total Buyers.

There are many ways of getting such a list. In the first place the names of prospects may be bought outright. Lists purchased from agencies should be bought with the proviso that all mailings returned be credited by the mailing agency to the purchaser. It frequently occurs that a great percentage of the pieces come back "not found" or "wrong address" and this name is a dead loss in postage and stationery. It is much more desirable to build up lists from sources in your own establishment if possible. A list of prospects may also be obtained from local directories and tax lists. By noting a man's occupation something can be ascertained of his buying power and the possibility of his using the store's goods.

Perhaps the best way is to take the names of the store's customers as a nucleus. The question may be raised of why customers already had by the store should be taken. The reason is that the buying habits of people are constantly changing. If all the people who purchase now at the store continued to buy there from all lines carried, there would be little need to worry about competition. As it is, however, it is constantly necessary to stimulate buying interest, and the percentage of people who buy habitually from one store may be materially increased through the intelligent use of mailing

lists. Direct mail will help to minimize that competition which is experienced by the stores that do only newspaper advertising and stop at that. It places one store in the lead by selling its personality in personal publicity.

One store, which has made a very careful survey of the direct mail problem, advocates centralizing responsibility for the mailing lists and mechanical equipment under the advertising manager, supervised by the sales promotion manager, instead of under the publicity manager. It has given much thought to the sources of its mailing lists and endorses the following as being most effective:

Charge Account and Cash Customers (In town and out of town)
Special:
List of Infants and Children:
Obtained from:
Birth Register.
Infants' Department.
Children's Shoe Department.
Barber Shop—Register.

List of Boys:
Obtained from:
Y. M. C. A.
Boy Scouts.
Boys' Department.
Barber Shop—Register.

List of Girls:
Obtained from:
Junior Department.
Schools.
Girl Scouts.
Y. W. C. A.

List of Men:
Obtained from:
Golf List—Obtained from Golf Clubs.
Chauffeur List—Obtained from Social Register.
Sent to owners of cars.
Sporting and Vacation List:
Work up list of men who go hunting or go away for vacation annually.
University List:
Faculty and Students.

Young Men Attending Out-of-town Schools:
General Men's and Young Men's List.
Used for general announcements.
Obtained from Department Records.
Y. M. C. A.
Engineers' Club.
Sources mentioned above.

List of Women:
Stout List.
Compiled from all departments handling stout wear.
Mothers' Lists.
Mothers of infants compiled in infants' department and from birth registration or birth notices.
Mothers of School Children.
Compiled from School Records.
Young Women's List.
Compiled from
Y. W. C. A.
High School.
Clubs.
Women Who Go to Winter and Summer Resorts:
Compiled through society editors of newspapers and whatever sources possible.
Prominent Women:
Compiled from
Social Register.
College Women's Club.
All Women's Clubs.
Maids' List:
Used to Sell Maids' Uniforms to Employers.
Compiled from social register and exclusive clubs.
Nurses' Lists:
Compiled from hospital lists.
General Women's List.
Used for general announcements, and compiled by combining the lists above.

In the investigation made by the National Retail Dry Goods Association, member stores located in cities from three quarters of a million up to two million in population reported lists compiled from credit, charge, and delivery records, from men's and women's clubs, and addresses of good cash customers gathered through the salespeople in the various departments.

Some stores have found it worth while to have blanks

printed with spaces for names and addresses and records of purchases. The blanks are distributed to salespeople, and they are told to go after names. One store, to offer them a real incentive, gave a prize to the salesperson who got the most names. Another store follows the practice of having a large book just inside the main entrance of the store, where customers are requested to record their names and addresses. Other methods of securing names are to save all alteration tags and parcel post addresses, and to write on the large last page of the shipping books, "Hand this book when filled to the manager: it contains valuable addresses."

Classification.—Lists may be classified according to the types of customers, or perhaps according to geographical location. These names may be filed away on index cards in alphabetical order.

Carson, Pirie, Scott and Company, Chicago, recommend that the name of each customer should be typewritten on a separate card with the address and the list of important purchases with dates. Different colored cards are used for each division, as, for example:

White Card—Country customers.

Yellow Card—Young women who are always looking for new styles in hosiery, neckwear, waists, etc.

Red Cards—Women who have children to clothe.

Other colors for wives of shop men, mechanics, railroad men or day laborers.

This idea may be elaborated almost indefinitely. The advantage is that the cards may be filed alphabetically and the different colors picked out whenever it is desired to address a certain class. The cards are filed in a cabinet, a separate drawer being used for customers and non-customers.

A card system such as this furnishes the means of interpreting and classifying the mailing list to the best possible advantage. Policies differ, but the National Retail Dry Goods Association found that lists were generally highly classified, eliminating residents who represented both economic extremes. There was a consensus of opinion that efforts were best concentrated on the middle and upper classes.

The larger stores find it more economical to use stencils

than cards. In this way much time and money is saved which is lost in addressing from cards. First, the names must be transcribed onto the cards and then written or typed from the cards. In making stencils, the transfer (after the stencil is made) is instantaneous and always assures a good, clear, attractive address. Where lists are small, and the time element does not enter so largely as with the big establishments, it would be more economical to use cards.

The method employed with cards to distinguish various groups, i.e., to use different colored card board for each group, is paralleled with the stencils by using different colored tabs.

Keeping Up Lists.—The mailing list should be revised frequently, at least once a month. Names of prospects who have died or moved away should be removed as soon as possible.

Removals and deaths may be determined in many cases from letters returned to the store because the person cannot be located. The postal regulation which provides that third class mail may be returned if sender guarantees to forward postage to cover same, is of some help in keeping mailing lists up-to-date.

The Use of Mailing Lists.—The appeal through circulars, letters, package, and envelope stuffers is chiefly made with a view to sell the organization and induce people to come to the store rather than to have them shop by mail. Selling the store is one of the main functions of direct mail. But whether the store conducts a mail order business or not, the use of the mailing list is the same.

Some merchants have found a profitable, yet little appreciated, field for direct advertising among foreign born prospects. It is true that when they first arrive in this country their purchases are often of the cheapest goods, but as they adopt American ideas, they dress better and are anxious to look prosperous. They place more stress on loyalty in buying than any other class. They are ordinarily flattered when they receive a letter and, although perhaps not able to read it themselves, have a friend translate it.

Carson, Pirie, Scott and Company believe it is the personal work that brings attention to the store. Attention is, there-

fore, focused on customers who buy frequently, since they have more money to spend and are always interested in styles.

The use of the mailing lists and their division into new classifications is a constant problem for the one in charge, on his or her ingenuity depending in great measure the success of the direct mail advertising.

Media of Direct Mail Advertising.—Direct advertising, to use Mr. Ramsay's authoritative classification, may be divided into subdivisions under two main heads, first the conventional or standardized form usually requiring an envelope for mailing, and second the unconventional or auto-contained, which are generally used without an envelope.

The conventional forms are:

1. Letters.
   a. Personal.
   b. Form.
   c. Printed.
   d. Novel.
2. Catalogues.
   a. Regular.
   b. Loose leaf.
   c. Miniature.
3. Booklets.
4. Bulletins.
5. Portfolios.
6. Almanacs.
7. House organs.

The unconventional forms are:

1. Mailing slips or cards.
2. Blotters.
3. Enclosures.
4. Coupons.
5. Package inserts.
6. Broadsides.
7. Poster stamps.
8. Folders.
9. Photographic reproductions.
10. Novelties, samples, etc.

A great deal of the success of the mailing effort depends on the careful choice of the media used.

The Letter.—Personal letters cannot ordinarily be used for advertising purposes due to the expense of getting them out. Personal letters *can* be used in small and frequent mailings. Of course quantity mailings require form letters, but the small town merchant will find it most profitable to keep the personal element alive in all his overtures to his prospects. For small mailings, therefore, the form letter is used, and for large mailings the printed letter. Novel letters usually have some special feature to distinguish them from the ordinary letter such as die-cut openings, etc.

Form letters may be prepared by means of either the multigraph or the mimeograph. Fill-ins may be made with an addressing machine. In any event it pays to have the best mechanical equipment obtainable for all forms of mailing.

Occasions for letters are almost innumerable. The aim is ordinarily to arouse interest and create personal contact rather than to sell any particular goods or quote prices. The contents of the letter must be specific and prepared with the same care which would be given to the make-up of an advertisement. The opening paragraph, particularly, should be studied with a view to ensuring interested reading on the part of the prospect.

Letters should be sent under two-cent postage. In many cases letters with one-cent stamps go into the waste basket without being looked at. If the letter is worth the amount expended on it, it is worth spending every effort to secure attention for it.

Catalogues.—If a store conducts a mail order department, it may be wise to issue a catalogue. The chief factor to be considered is that the mail order houses are able to issue a catalogue so much larger and more complete that the retailer's effort appears poor in comparison. Therefore the retailer conducting a mail order business must rely on the timeliness of his merchandise to secure orders. The value of the catalogue to him will be in listing staple articles, and, even in that event, it will be necessary to issue new catalogues frequently.

The A. T. Lewis and Son Dry Goods Company, of Denver, makes a point of talking fresh stocks, new styles and up-to-

the-minute fashions and prices in its mail order business. With that end in view the catalogue has been done away with in favor of other types of direct-mail publicity. On the order form the following notice is printed:

We discontinued the publication of a general catalogue some years ago because we wanted to give the out-of-town customer the same "up-to-the-minute" merchandise which we give city customers, and each mail order sent to Lewis and Son is filled from the very latest shipments to be found in the store and not from stock which must, of necessity, be put away for the filling of mail orders where a general catalogue is sent out. When you order at Lewis' you get the same fresh, new stock the Denver customers are shown.

If a store does think it advisable to issue a catalogue, it should be planned and made up with the idea in mind that it will be compared with the catalogues of the large mail order houses, and, to stand this comparison favorably, it must substitute quality for the bulk of the mail house catalogue. Furthermore, the prices must match the mail order house prices.

Booklets.—The booklet is peculiar in that it must contain items of such interest that the reader will be induced to preserve it. The booklet is mainly used by the manufacturers. Few retailers use it except on special occasions when it is felt that the expense is justified. The souvenir booklet is sometimes made up for extra-special occasions. Some stores find it pays to enclose with the goods a pamphlet regarding use of the goods. These booklets may or may not be furnished by the manufacturer.

Special announcements of style may be prepared for convenience in booklet form. Booklets may also be prepared for articles of large unit value, such as pianos, victrolas, furniture, etc.

Bulletins.—The bulletin takes the place of the catalogue in many stores. It enables the store in the shortest space of time after the receipt of merchandise to have the information in the hands of the customer.

The A. T. Lewis and Son Dry Goods Company of Denver sends out the biggest mailing at Christmas season, mailed the latter part of November, in the form of a bulletin. It is a

sheet measuring 24 by 38 inches, folded to make sixteen pages. All items are known to be good sellers or else judged to be so by experts. The items are described in the most careful manner, each one being pictured, just as is done by the big mail order houses.

Portfolios and almanacs are not used to any great extent by retailers. In the former case the unit must be large to warrant the expense, while in the latter case almanacs have gone out of style.

Unconventional Forms.—It is usually assumed that to be novel is certain to arouse interest. This, of course, is true to a certain extent. But a thing is novel only so long as everybody else is not doing it. Therefore, one of the first problems which the retailer must solve in deciding upon the media of direct advertising best suited to his needs is to study the methods employed by competitors.

The unconventional forms of direct advertising are used mainly for educational or good will purposes. The aim is to sell the institution rather than any specific merchandise. There is an exception, however, in the case of samples, but samples are possible to use in relatively few instances.

Technical Details.—One of the greatest wastes in direct mail advertising is neglect of details which will determine whether or not a folder or circular will receive a hearing. The results of a questionnaire mailed by *System* to about one thousand experts in direct mail methods are exceedingly interesting in this connection. The summary of replies was as follows:

1. What has been your experience with a typewritten envelope address as compared with a handwritten address?
   - The handwritten address is better..... 3
   - The typewritten address is better..... 114
2. Does the color of ink used in the letter affect the returns?
   - Yes..... 42
   - No..... 17
3. Is the use of two colors of ink in the letter advantageous?
   - Yes..... 21
   - No..... 59

4. Is the use of good paper more profitable than the use of cheap paper?

Yes	81
No	12

5. How does the color of paper affect results?

White paper is best	46
Colored paper pays well	6
Paper color makes no difference	2

6. Does a handwritten signature pay better than a mechanically prepared signature?

Yes	118
No	22

Some of the comments as to these various points are instructive. J. B. Mills, publicity director of the J. L. Hudson Company, says in regard to typewritten versus hand-addressed envelopes:

It depends entirely upon the appeal. Letters telling of certain kinds of merchandise used on strictly business stationery should at all times carry a typewritten address. With letters on stationery which appeals to women, although the message may be typewritten, we believe that sometimes the handwritten address gets the better attention.

The question as to color of ink to be used was more nearly balanced in answers than many of the other questions. Although two-thirds thought the color made no difference the other one-third was of the opinion that an unusual color of ink attracted and held attention better.

The choice of paper, type, color of stock and style should be determined in each individual case by the character of the merchandise to be exploited as well as the individuals to which the appeal is to be presented.

Paper.—The quality of paper used in direct mail advertising is important. It conveys an impression to the recipient just as powerful if not more so than the make-up and typography. The Shepard Stores find that mailings on high-grade bond paper produce 100 per cent better results than those on cheaper grades.

The following table, prepared by Amos Parrish, shows the types of paper best for specific uses:

A Table Telling of Some of the Best Papers for Certain Uses

Here paper is grouped by finish only (i. e., newsprint, S. & S. C., coated, plate, etc.)

Kind of Appeal	Paper to be Used	Kind of Cut
Institutional	Antique	Zinc etching
Package stuffers	S. & S. C. or antique	Zinc or halftone
Store stationery and sales letters	Bond—plate or antique finish or laid	
Catalogues	S. & S. C., antique, or coated	Zinc or halftone
Store newspaper	Newsprint	Zincs or very coarse screened halftones
Store placards	Enamel blank, ripple or antique double thick cover paper	Zinc or halftone
Furniture	Antique or dull coated	Zinc or halftone
Victrolas	Antique or dull coated	Zinc or halftone
Fabrics—Silks	Plate or dull coated	Zinc or halftone
—Cottons	Antique	Zinc
—Woolens	Antique or laid	Zinc
Lingerie	Plate, antique or laid	Zinc or halftone
Baby wear	Antique or laid (in light blue or pink or buff tint)	Zinc
Linens	Antique or laid	Zinc
Women's fashions	Antique or dull coated	Zinc or halftone
Men's wear	Antique	Zinc

Note: Should halftones be desired in any place that zincs are indicated it will be necessary to change the kind of stock used to either S. & S. C., coated or plate finish paper.

Printing papers may be procured in the following forms:

1. Bookpapers.

Newsprint, used for newspapers, broadsides, handbills, etc.

Machine finished paper, used for catalogues, or inexpensive booklets.

S. & S. C. book paper, higher gloss than machine finished paper.

Plate paper, high class book paper, used for fine engraving, and printing from steel and copper plates.

Coated paper, with enameled, glossy surface, used for halftones, not desirable for type.

Antique paper, sometimes called wove. Uneven surface, soft, resembling blotting paper. Uses line cuts.

Laid paper. Similar to antique but with addition of lines running through grain.

2. Cover papers.

Plate finish, antique, ripple, and crash. Used for covers of pamphlets, booklets, price lists, etc. Made in many shades and weights.

3. Cardboards.

Bristol Board. Used for store placards, business, and mailing cards.

Enamel blanks. Used for similar purposes.

4. Miscellaneous papers.

Blotting paper.

Hand made paper, imported. Usually with very rough finish.

Etc.

Paper may be secured in a variety of tints which allows artistic treatment of the subject. Browns for Fall use, greens for Spring, etc., are often employed. A deckled edge is sometimes considered to add to the richness of the effect.

SECTION VI

PERSONNEL

CHAPTER XXXII

SOURCES AND SELECTION OF PERSONNEL

Personnel administration, according to Tead and Metcalf,* is defined as the

> direction and coordination of human relations of any organization with a view to getting the maximum necessary production with a minimum of effort and friction, and the proper regard for the genuine well-being of the workers.

In less technical language, personnel administration represents the system of recruiting and training employees, standardizing their working conditions on a fair and equitable basis, assisting the management in securing from them the maximum degree of loyalty and efficiency, and securing for the employee a square deal.

The Personnel Department.—The personnel department is a permanent part of all progressive department stores. Although a comparatively new development, it has amply demonstrated its value in the following ways:

1. A department store demands a higher grade of personnel control in the sense that perhaps a more delicate and continuous adjustment of work relationship and working conditions is required.

2. Personal appearance and contact in a department store are of primary importance. Effective merchandising and effective advertising would mean nothing if the saleswomen, the department heads, the floor managers, and other service employees were not at all times in a proper attitude towards the public and could not translate that attitude into skillful salesmanship and good service.

3. Department store operations are largely dependent upon successful personal relationships.

* Tead and Metcalf "Personnel Administration, Its Principle and Practice." McGraw-Hill Book Co.

Layout.—One of the first requirements for an efficient employment department is an efficient office layout. Figure 95 shows the office layout for the employment division of Jordan Marsh Company of Boston. In this case men and women applicants are received in separate rooms as conveniently located as possible with reference to entrance and exits and to the arrangement of the rest of the department. Provision is made for private offices for various department officials, clerical help is concentrated, and training and class rooms are grouped in the rear.

Organization.—Often the organization of the various divisions of the personnel department is under different executives. The employment manager may be responsible to the general manager, the educational director may be responsible to the superintendent. Such an arrangement brings confusion, waste, and lack of proper coordination.

A director of personnel should be at the head of all personnel activities, reporting to the superintendent or the general manager, as the case may be. The majority of personnel departments are responsible to the superintendent. Figure 96 shows the organization plan of the personnel department of James McCreery and Company of New York. Such a plan is applicable to an organization of any size, the degree to which the functions are individualized being limited by the policy of the store, and somewhat by its size.

There are five main divisions of personnel work to be considered, no matter how the responsibility for carrying them out is divided.

1. Employment.
2. Training and Education.
3. Health and Safety.
4. Rating and Records.
5. Service to Employees.

"Health" is often part of the function of "service to employees" and "rating and records" often comes under "employment."

EMPLOYMENT

Securing Applicants.—It is rarely safe to depend entirely upon the occasional applicant for new employees. It is ordi-

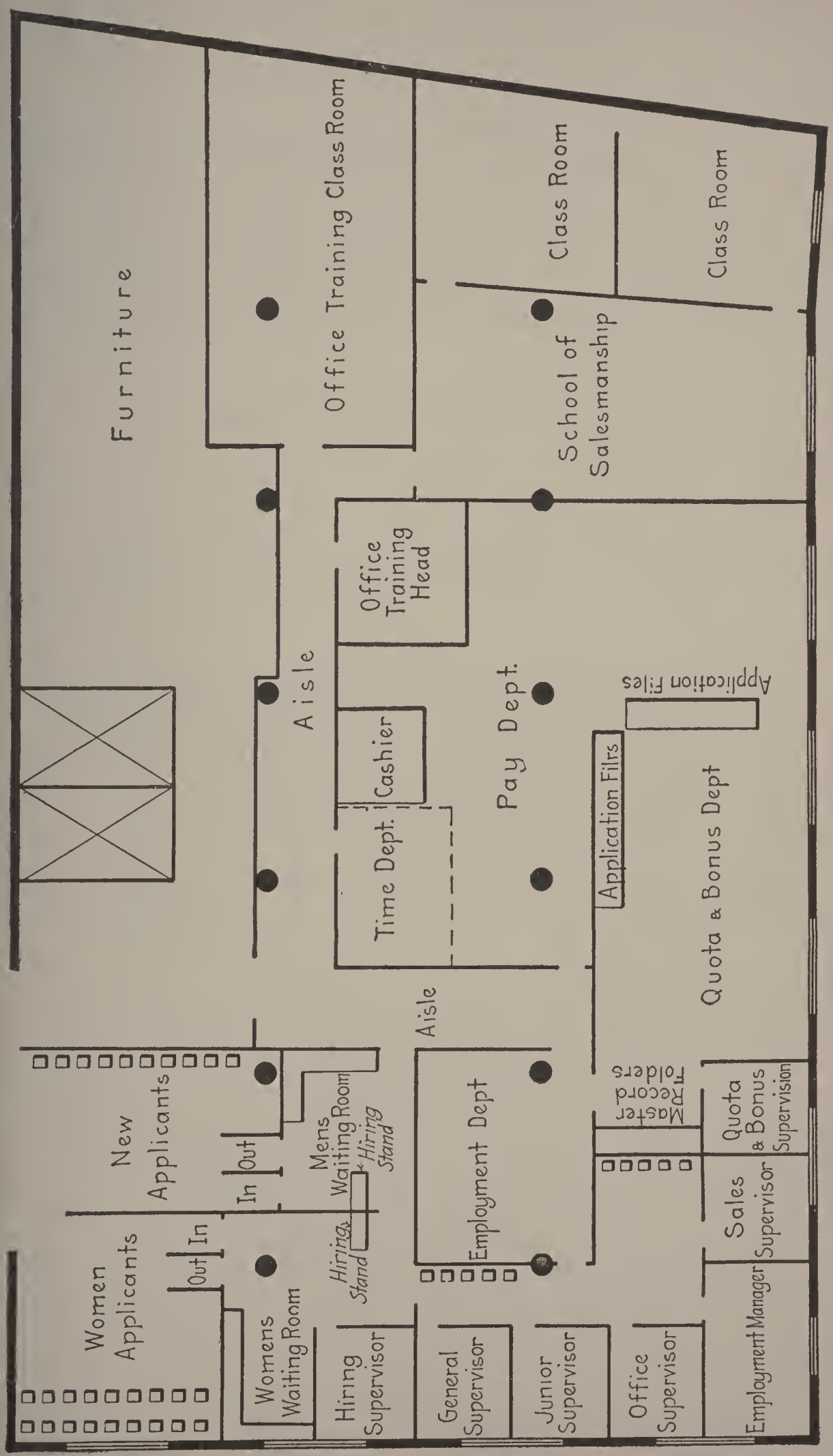


FIG. 95.—Employment division layout.

narily necessary to use the classified want columns of the daily paper, not extensively, but often enough to ensure a sufficient number of applicants.

A method of securing employees frequently used with good results is through the employees of the house. If an employee can be persuaded to bring in his or her friend for a position, it has been found that the grade and quality is better than that secured through the classified want column. R. H. Macy and Company and Gimbel Brothers give a reward of $10 to

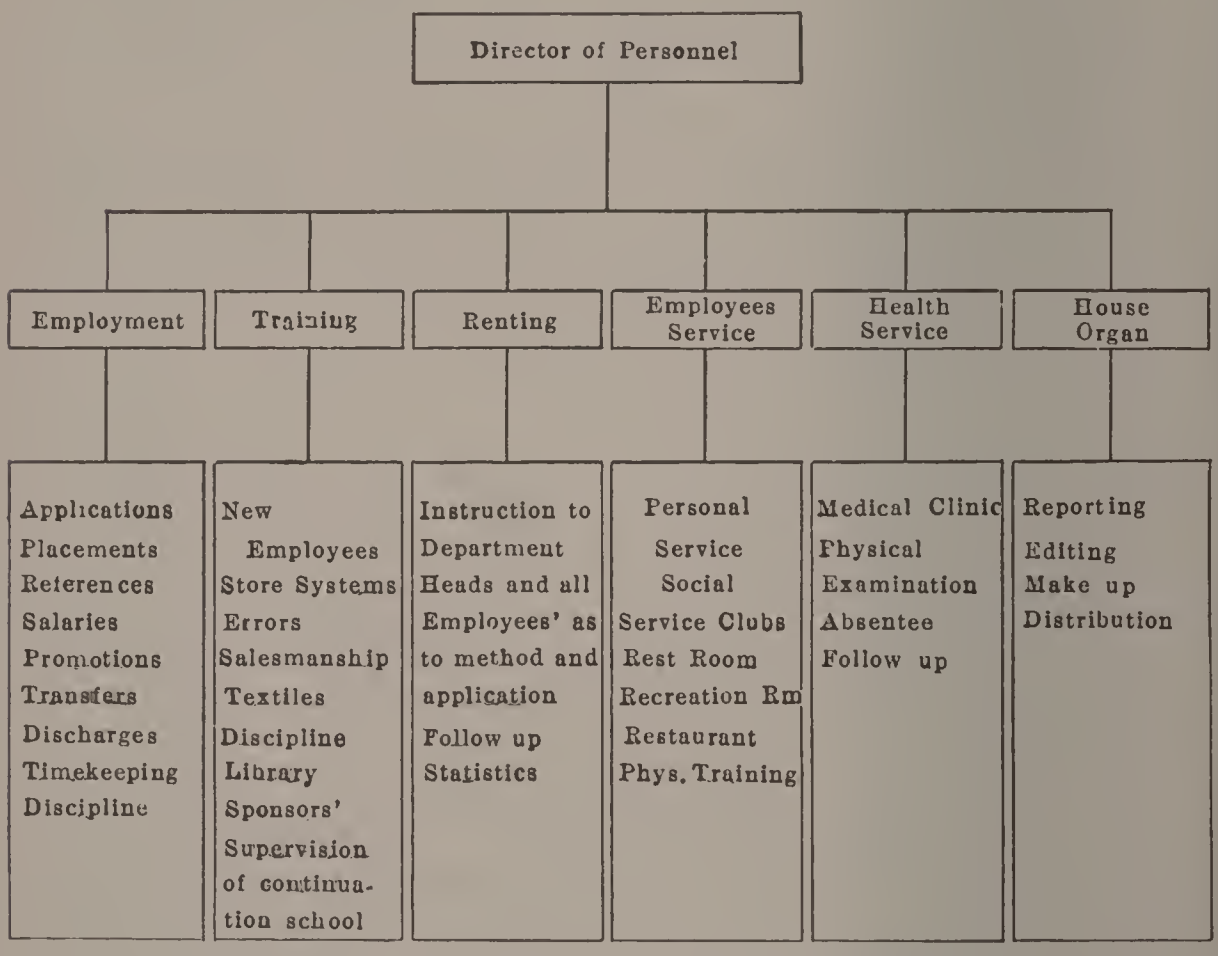


FIG. 96.—Organization of personnel department.

an employee through whose instrumentality a new employee comes into the store, provided the newcomer remains six months.

To secure a satisfactory quality of employees is quite as difficult a problem as to secure a sufficient quantity. It is unfortunate that so little effort has been made to remove the prejudice against store work felt by many parents and teachers. Few people, not connected with stores, have any idea how greatly conditions have changed in the past decade. They do not know of the training given, the personal interest with

which the progress of workers is watched, the opportunities for advancement, the means taken to safeguard health, etc.

In order to enlighten the public and bring in the highest type of applicants, one store of national reputation inserted the following advertisement in the newspapers:

HAVE YOU A DAUGHTER?

Perhaps you feel that business life may take her into surroundings none too healthful, physically and mentally. You hesitate to have her make the venture.

We wish to help you decide your daughter's future. Come and talk to an executive of the store. What you learn of our policy will give you new insight into business possibilities which are open to her.

In our effort to develop character and good will in our business, we realize the importance of such development in people and try to surround members of our organization with personal comforts, and with that individual attention of trained executives that enables us to help their development, and to pay salaries commensurate with their abilities.

Such a departure from the usual methods of soliciting department store employees could not fail to receive favorable notice. It was followed by others, for example:

TRAINING FOR HOME MANAGEMENT

Many of the young women who enter employment quite naturally look upon their work as an opportunity for an active and profitable interval between school and marriage—a most commendable and natural attitude.

As a training for managing a home successfully or for a business future, the advantages of store experience are valuable. Women do the greater part of the family purchasing, and the first essential of a good home manager is the ability to buy wisely. Where can she gain so broad and accurate a knowledge of qualities and values as in a good store?

We welcome to ———— the young women to whose lives we can contribute something of permanent value besides their weekly pay.

Talk it over with the executive on the tenth floor.

Junior help of the right type is often difficult to secure. Cooperation with the public schools is a good means for securing this class of employee. If the public school realizes that a store is not attempting to take the children away from school, but is willing to educate the children out of school

hours, cooperating with the public school teachers, a good combination can be made.

Some stores arrange to have their educational director or some other representative tell the students of the various high schools of the opportunities in store work. The teachers may be reached at the same time and their interest enlisted.

High schools and colleges offer an excellent source of employee material of the better grade. Using students and teachers as part-time workers or for Saturdays would be a means of selling the store to pupils who think department store work beneath them.

Labor Turnover.—It should be the aim of every employment department to secure employees who are fitted to become permanent members of the organization.

The labor turnover for any period consists of the number of separations from service during that period. Consequently, the percentage of labor turnover for any period is the ratio of the total number of separations during the period to the average number of employees on the force during that period. Thus, in computing a store's annual labor turnover, the average number of employees for the twelve months is determined. Suppose this to be 1,600. Then the number of separations, or individuals leaving voluntarily or by discharge, is determined. If this number were 2,000, then the percentage of labor turnover for the year would be the ratio of 2,000 to 1,600 or 125 per cent.

That the percentage of employees changing positions each year is high is generally admitted.

The cost of breaking in a new salesperson has been estimated variously at from $20 to $200. Some of the items entering into this cost are:

Advertising for help.

Time spent by employment manager in interviewing many candidates before acceptable person is found.

Expense of obtaining references.

Time spent in teaching new employee.

Sales lost while salesperson is becoming adjusted to new environment.

Mistakes due to inexperience.

As a first step in studying how to remedy such a situation, a careful analysis should be made of the reasons for withdrawals from the store. If the paymaster is instructed to pay off only on order from the employment department, nearly all employees will be seen and may be interviewed before they leave. A year's analysis is usually necessary as a basis for conclusions. The withdrawals should be classified according to reasons, sex, departments and length of service.

One store, after thorough study, has made a permanent list of the reasons for withdrawals as follows:

Resigned

1. Not satisfied with salary.
2. Not satisfied with work.
3. Leaving city.
4. Better opportunities.
5. Home reasons.
6. Go to school.
7. Ill health—permanent.
8. Unable to get along with superior.
9. Enlisted.
10. Satisfactory reasons.
11. Not known.
12. Ill health—temporary.

Discharged

13. Incompetent.
14. Intemperance.
15. Insubordination.
16. Lazy.
17. Blunder record.
18. Misconduct
19. Dishonest.
20. References.
21. Other reasons.
22. Suspicious circumstances.

Laid Off

23 Reducing help.
24. Temporarily employed.
25. Physical reasons.
28. Vacation..

Unavoidable

29. Married.
30. Superannuated.
31. Deceased.
32. Voluntary vacation.

Much will be learned from such a study of labor turnover. Weak points in the policy and system of the employment office will be brought out and departmental difficulties throughout the store will become known and will be adjusted.

Certain principles, applicable to all stores, may be laid down as of fundamental importance in reducing labor turnover.

1. Employment plans, carefully thought out in advance, to reduce unnecessary hiring.
2. Careful selection of the new employee.
3. Education, training, introduction to associates, and supervision.
4. Adequate wage.
5. Transfer before discharge.
6. Agreeable and wholesome working conditions.
7. Opportunities to advance.
8. The right of every employee to a hearing and a square deal.

Coordinating Labor Supply with Demand.—Necessarily in an organization so complicated as the modern department store, the employment manager must have some means of knowing what type of employee is required and in what numbers. With this end in view, department heads are ordinarily furnished with requisitions such as are illustrated in Fig. 97.

Positions usually need to be filled because of an increased force, positions for temporary work and replacements. The employment manager generally knows what kind of employees work best in certain departments, and on the requisition the buyer fills in the essential experience and qualifications. One week is usually requested in order to find the proper type of person to fit the requirements.

Buyers' preferences are frequently based on sound experience. For example, the head of the housefurnishing department may desire married women who have kept house and know the use of the various articles. Salespeople who are fond of children are required in children's departments.

Selection of Applicants.—The process of selection of the employee usually consists of filling out an application blank, a physical and perhaps a mental test, and an interview. Generally references given by applicants are looked up prior to making a final decision.

Form 39-Supt. Dept.-3-20.

Requisition for New Employee.

Date.....

Employment Bureau:

Please supply new employee as follows:

Department.....Position.....

Woman.....Girl.....Man.....Boy.....

Date needed.....
(If possible, allow at least 1 week to fill position.)

Why needed?.....

Permanent?.....Temporary?.....

If temporary, how long needed?.....

Work—is it Sitting?.....Standing?.....Lifting?.....

Necessary qualifications?.....

.....

What experience is essential?.....

.....

Whom in the store can you recommend for this position?.....

.....

Remarks.....

.....
Send this to Employment Bureau in sealed envelope.

Signed.....

EMPLOYMENT BUREAU MEMO

.....

.....

.....

.....

Approved for filling.....Supt.
Date

FIG. 97.—Requisition used in employment department.

The Application Blank.—The judicious use of the application blank permits a preliminary weeding out of candidates for positions. No time is wasted in interviewing unless the applicant shows promise of being suitable. Should the ap-

APPLICATION No. | FOLLOW-UP DATES

(W)

Your name in full.....

Your maiden name.....

If married, your husband's name in full.....

State salary received in your last position.....

Why did you leave?.....

Were you ever employed by MARSHALL FIELD & Co., Wholesale or Retail, if so, when?.....Where?.....

Give names and addresses in consecutive order of all former employers, starting with last one.

NAME OF LAST EMPLOYER — Position you held — From what date?

Street — City — Under whom? — To what date?

NAME — Position you held — From what date?

Street — City — Under whom? — To what date?

NAME — Position you held — From what date?

Street — City — Under whom? — To what date?

NAME — Position you held — From what date?

Street — City — Under whom? — To what date?

NAME — Position you held — From what date?

Street — City — Under whom? — To what date?

Have you had any employer other than those above given?.....If so, give name and address .....

Were you ever dismissed for cause?.....By whom? .....

State reason .....

Give names and addresses of persons who can vouch for your character and habits (Not relatives or former employers)

NAME — Occupation — Known you how long?

Street — City — State

NAME — Occupation — Known you how long?

Street — City — State

NAME — Occupation — Known you how long?

Street — City — State

SEE OTHER SIDE

Sp. File.....D. File.....Entered by.....Card .....O. K. for file.....

[illegible—SP687—15M-7-29—42W]

FIG. 98.—Application blank.

plicant for employment be accepted, the application blank serves as a permanent record.

Figures 98 and 99 are typical examples of application blanks which must be filled out by persons seeking employ-

ment with Marshall Field and Company, or with the Emporium at San Francisco.

The Interview.—All applicants for positions deserve every courtesy. It is well to look at the treatment of the applicant

APPLICATION No.

(W) WOMEN

NOTICE TO APPLICANT.

Any position given you upon this application may prove temporary. Should we wish to dispense with your services at any time after date of your engagement, or should we wish to adapt vacations to suit business conditions, we shall be at perfect liberty to do so. This notice is given inasmuch as we usually do not dismiss except for cause. Should we employ you, we shall consider it our right and duty to notify any or all to whom you have referred us of any act which in our opinion would justify your dismissal.

MARSHALL FIELD & COMPANY

Date..... Telephone No.....

Name in full.....

Address ..... Street ..... Suburb

For what position do you apply?.....

What is your age?..... Date of birth? ..... Month Day Year

What grade or class were you in when you left school?.....

Nationality or descent?..... Where were you born?.....

Are you single, married, widow or divorced?..... No. of dependents?.....

Are you living with parents, relatives, boarding or housekeeping? .....

If single, what is your father's business?.....

If married, what is your husband's business?.....

Have you contributed to the support of any relative within the last four years?.....

If so, whom and to what extent?.....

Have you any relatives employed by us?..... If so, names and where employed?.....

.....

Have you any defects in sight, hearing, speech or limb?.....

In order to satisfy yourself and us that you are in good health, are you willing to submit to a physical examination? .....

Should we employ you, will you agree to keep the amount of your salary confidential?.....

SEE OTHER SIDE

Do not write in spaces below

FOR ..... COMMENCED ..... SALARY .....

Engaged by.....

Full Time	S.H.	Hours	Part Time	M.	T.	W.	T.	F.	S.

FIG. 98.—Application blank.

from the point of view of the value to the organization. The applicant for a position receives the first impression of the house from the employment office. There should be a sufficient number of chairs and tables provided with pens and ink.

Some employment managers conduct an interview with the applicant standing. Others find it better to have the applicant seated, in order to make it easier for the applicant to answer questions.

BUSINESS EXPERIENCE

Please account for all your time since leaving school.
BEGINNING WITH LAST POSITION, please list below all places where you have worked.

Do not write in this space				
	Name of LAST employer?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	
	Employer before the above?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	
	Employer before the above?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	
	Employer before the above?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	
	Employer before the above?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	
	Employer before the above?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	
	Employer before the above?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	
	Employer before the above?	Town and Street Address?		
	Business?	In what Dept. or under whom? Nature of work?		Salary
	How long employed there?	Date of Leaving?	Why?	

(OVER)

FIG. 99.—Application blank.

Since an application blank can never tell the whole story, the interview serves to fill in and amplify. Anything that the applicant may tell about her home life will be of value to the

interviewer, since home conditions play a large part in the effectiveness of the work done by an employee.

The applicant should be required to give all positions filled. If there are intervening spaces not filled in on the application

Date 192 Re-engagements

Engaged for Dept.	Date	192	Dept.	Salary	Sig.	Position
Salary	Date	192	Dept.	Salary	Sig.	
Signed	Date	192	Dept.	Salary	Sig.	
Instruction	Date	192	Dept.	Salary	Sig.	No.

Do not write above this line

Do not write in this space.

INFORMATION RECORD

Each question must be answered accurately and fully in ink.

Write Plainly Date 192

Ht.
Bd.
Col.
Dr. Ap.
Sp.
Person
Suited for

1 Name in Full	2 Age Years Months	3 Date of birth? Day Month Year	4 Where were you born?
5 Address	6 Telephone Number	7 Do you live with parents, relatives, keep bousa or board?	
8 For what position do you apply?	9 Salary axpected?	10 With what lines of merchandise are you familiar?	
11 Single, married, widowed, divorced or separated?	12 Give number and relationship of persons you support entirely?		13 What foraign languages do you speak?
14 What education hava you had?.	15 Name and address of school laat attanded?		16 Date of Leaving?
17 Have you ever been in our employ? If so, when and in what department?	18 Have you any Relatives in our employ? If so, whom?		19 Whom of our employees do you know?
20	21		22

Give names and addresses of four parsons, not relatives or former ampioyars, who have known you for over a year.

Nama	Full addresa.	Profassion or Business	Time this person has known me.
1			
2			
3			
4			

READ CAREFULLY

1 Any employment given you upon this racord may prove temporary; such employment will be by the day; at the monthly rate agreed upon, and may be terminated by either party at any tima without formal notice.
2 All applicants will be required to pass our medical examination before being permanently enrolled.

WOMEN—My signature affixed below ia acknowledgement that I am informed regarding the State Law permitting woman to work 8 hours only per day, and I agree to abide thereby.

I CERTIFY THAT ALL MY REPLIES TO ALL QUESTIONS ON THIS RECORD ARE ABSOLUTELY TRUE

Signature

(OVER)

FIG. 99.—Application blank.

blank, it is well to look into this carefully, for the interviewer frequently finds that the applicant may not care to talk about that period of employment.

References.—There is a tendency to reduce the number of references looked up because such a large percentage of reference blanks are answered perfunctorily, and because often

Report

Date.....192....

How long have you known applicant?.....

If applicant is related to you, how?.....

Was applicant ever in your employ?.....

Employed in what capacity?.....

From.....19...., to.....19....

Why did applicant leave?.....

Ability?.....

Would you re-engage applicant?.....

What is your opinion of applicant's character?.....

.....

Do you know of anything against applicant's honesty?.....

.....

Do you know of any reason why we should not engage applicant?..

Can you recommend applicant for position applied for?.....

.....

Remarks.....

.....

Signed.....

FIG. 100.—Questionnaire form for obtaining information about employee.

employees dismissed for dishonesty have had satisfactory references. The value of references has in the past been overestimated. The applicant, however, should get the impression that references are important.

Anything, however, which will help the store secure infor-

mation about the employee is of value, particularly when it checks up statements made by the applicant. In some cases the telephone may be used; in others it is preferable to use a letter in questionnaire form, such as Fig. 100. The furnishing of such information is a matter of business courtesy.

In some cities there are employees' reference bureaus which facilitate the looking up of references. In Detroit, for example, the Retail Merchants' Bureau is equipped to handle the 10,000 employees of the larger Detroit stores. It keeps records of applications, references, and discharges, together with master filing cards for compilation of all data concerning individual employees.

Physical Examination.—There is much to be said from the points of view both of the store and of the employee for and against physical examinations. The practice is not general by any means.

From the point of view of the store, the health of the worker is regarded as determining his or her efficiency to a great extent. This is particularly true as regards absenteeism. There are, it is true, certain departments where robust health is not necessary, but, generally speaking, the work in a selling department requires physical stamina in the salesperson.

If it is possible to obtain employees in good physical health by the use of medical examination prior to employment, it seems logical to the store that this should form part of the entrance requirements. Figure 101 shows the record card kept of such a test by one store.

Pre-employment Tests.—Pre-employment tests are developed along the following lines:

1. General intelligence tests.
2. So-called trade tests.

The proper test will include those questions the answers to which will have a real bearing on the fitness of the employee to fill the position. In many cases experience is not demanded, and the trade test is not required. In manufacturing departments, or where experienced applicants are engaged, the trade test, or the determination of the technical knowledge of his job by the applicant, will be valuable.

The value of pre-employment tests is not yet universally

Name		Age	S. M. D. W. Date	
	FAMILY HISTORY			Appendix
F. L.	D.	Cause	Bro. L. D.	Asthma
M. L.	D.	Cause	SS. L. D.	Bronchitis
T. B.		Co-hab.	Neuras	Bladder
Cancer			Epilepsy	Diptheria
	PERSONAL HISTORY			Gonorr.
Injuries			Deform.	Glasses
Operations				Heart
T. B. Cough		Lor. G. Wt.		Headache
N. Sweats			Appetite	Kidney
Menses Began		Cease	Child	Liver
Reg.			Uterus	Malaria
Flow			Breasts	Mumps
Pain			Discharge	Measles
	PHYSICAL EXAMINATION			Neuralgia
Gen. Dev.		Skin acne.	Teeth	Neurosthenia
Nour.		Edema	Lymph N.	Otitis. M.
Height		Jaundice	Thyroid	Pneumonia
Weight		Pigment		Pleurisy
		Cyanosis		Rheumatism
Chest Shape		Deform	Mamm.	Skin Rash
Lungs				Syphilis
				Scarlet Fever
Heart			B. P.	Small Pox
Abd.				Typhoid Fever
Liver		Back Kyph.		Tonsilitis
Spleen			Lord.	T. B.
R. L. Kid.			Scol.	Varicella
Genit Penis		Fem. Ext.		Vaccinated
Test.		Int.		Varicose veins
Varic.		Hernia		Wh'p'ng Cough
Hernia				
Reflxes. Eye		Extr.		
Patella		Clubbing		
Arch		Deform.		
Urine Color		Sp. Gr.	Sugar	
React.		Alb.	Sediment	
Nose				
Ear				
Tonsil				
Eye				
Physician				

FIG. 101.—Record card of physical examination.

agreed to. Certain office positions, such as stenography, filing, and operating bookkeeping machines, may have a simple test worked out to determine the applicant's accuracy and general efficiency. In one large Eastern store the applicant for a position in the coat, suit and dress departments is questioned as to her familiarity with merchandise and the degree of style sense which she possesses. Three models are shown and two suits, coats and dresses for each, one correct and one incorrect. The applicant must choose the garment she prefers for each model, giving reasons, and passing upon suitability of accessories. Such tests will indicate quickly the need for special training of the applicant if she is desirable in other ways.

Placement.—Successful placement considers experience and inclination. It is recognized that if a person is not suited to the task performed, maximum efficiency will not be obtained. Hence initial placement should be only temporary and subject to review at the end of a certain period. During the first few weeks the employee understands that he or she is on probation, and that at the end of the probationary period there will be another interview to determine whether the position is to be permanent.

The subject of training is discussed at length in the next chapter. If an educational department does not exist, the new employee should be carefully introduced in the section where he is to work. A sponsor system operates successfully in many large stores. A friendly, intelligent person is appointed in each office and department to help the new employee get his bearings, and to instruct and guide as may be necessary. Extra compensation in the form of money, time off, or additional vacation is sometimes given in return for this special service.

Job Analysis.—Job analysis provides a definite set of specifications by which every position in a store may be filled intelligently by the employment manager. It is the ultimate step in correlating labor supply with demand. It avoids duplicating positions, prevents misfits to a great extent, and reduces labor turnover. The service to be rendered to the public must also be kept constantly in mind. In fact, a knowledge of the

job is absolutely necessary before hiring and before setting an equitable wage.

All sections of the store should be carefully divided and analyzed. Detailed studies, in many cases, are made of all the positions in the store. It has been found that studies of this kind make for better organization in that they establish the scope of a position and define its limits.

Various methods are followed in making job analyses. In the case of Wm. Filene's Sons Company, job analysis is tied up with specialized training. It is felt that before any adequate training can be carried out the job to be trained for must be analyzed. If instruction is to be given in the work of the head of stock, the duties for this position should be the same throughout the store.

The special teacher acquaints herself with the job under analysis by doing it in representative places throughout the store. She then prepares a questionnaire and with this as a basis she discusses the job with the group of operators who are organized with their own officers. In this way the job is analyzed and its content agreed to by the group. The group then goes to the organization of their immediate executives to obtain its sanction for the job as outlined, and thereafter works out the standard practice.

CHAPTER XXXIII

EDUCATION AND TRAINING

The first school for the training of educational directors was started in 1905 by Mrs. Lucinda W. Prince in Boston, known as the Prince School of Education for Store Service. Practical experience is ensured by an arrangement with the department stores of Boston by which pupils of the school spend about half their time in practical work in the stores.

According to the definition of the school, a "store educational director aims to establish harmonious relations between employers and employees, based on understanding of their common problems, to strengthen the position of the store in the community through the upbuilding of constructive policy, and to develop the powers and resources of the personnel in a way which will result in the most effective conduct of the business."

With this idea in mind courses are given in psychology, economics and education, with special reference to mercantile problems. A course in textiles is given, also short courses in employment, industrial hygiene, statistics, wages, merchandising, office management and organization.

In 1918, the Carnegie Institute of Technology, Pittsburgh, established a Research Bureau for Retail Training, and, in 1919, New York University established a School of Retailing.

In the larger stores the duties of the educational director are largely executive, and her time is spent in planning and supervising. Under her are special teachers who do the actual work of instruction.

In the medium-sized stores the educational director does the actual teaching, and in addition controls the welfare work of the employees, and perhaps has charge of rating systems, etc.

In the smaller stores, the educational director may do the employing as well as training, supervising social activities, visiting sick employees, continuation training, etc. In the

small store her work will be chiefly with workers already employed by the store, since newcomers would be comparatively few.

Groups to be Trained.—One of the first duties of the educational director is to divide the personnel of the store into groups according to the type of instruction to be given:

1. New employees.
2. Juniors.
3. Salespeople.
4. Heads of stock.
5. Assistant buyers.
6. Executives.
7. Non-selling employees.
   a. Office.
   b. Delivery.
   c. Elevator.
   d. Stock clerks.
   e. Telephone operators.
   f. Etc.

Certain subjects in the curriculum of training will be common to all groups, while others will be applicable to special groups. Ordinarily the educational director will be called upon to give instruction in:

1. System.
2. Salesmanship.
3. Merchandise.
4. Store policy.
5. Business arithmetic.
6. Business English.
7. Special duties.

Methods of Training Store Groups.—The method by which instruction is given depends on many factors, among which are:

1. The policy of the store, which determines the attitude taken towards training in general. The store in which the management is enthusiastic naturally carries training further than where the management is not wholly convinced of its value.

2. The size of the store, which has a determining effect on the methods by which the work is carried on.

3. The type of personnel.

4. The methods of the educational director herself.
5. The educational opportunities offered by the community.

Most stores and most educational directors agree that instructions to new people in the policy and system of the organization should be given in the class room.

The teaching of the other subjects to employees already in the organization may be carried on in two ways:

1. Class-room instruction.
2. Instruction on the floor.

Class-room instruction, in addition to lectures, may use moving pictures and merchandise manuals as aids.

Instruction on the floor may be given individually, through department conference, or by means of demonstration sales.

The active assistance of store executives is valuable in both methods of teaching. This ensures the combination of accurate knowledge and experience with training in educational methods.

There are communities in which the resources for education on retail subjects have been developed, and in such cases may be used by the store profitably. Many organizations use both outside and inside facilities for education. For example, the class in merchandise may attend lectures given at an art museum on color and design.

The Training of New Employees.—The contrast between the old and the new order in department store personnel administration is well illustrated by the new employee's first day in the store.

The progressive personnel department acknowledges the importance of the initiation period. It is vital that the beginning of the employee's career in the store be right.

The following is an outline description of the first day of a new employee in an eastern organization:

I. Employment office.
   A. Newcomer reports to the employment division at 8:45 a. m. The desk clerk says, "good morning," and asks her to be seated.
   B. New help slip and time card given to newcomer.
   C. Rule book given to new employee with the following request and explanation: "Please sign your name on this page to show that you have received a rule book. It contains the

most important rules and policies of the store. Read it while you are waiting."

D. Locker key is assigned.

II. Locker room.

The newcomer is shown her locker by the messenger and removes her wraps.

III. Time desk.

Messenger takes her to the time clock where the man in charge of the time desk teaches her the proper way of inserting card, explaining that salary is dependent upon the accuracy of these cards. This is done so that she will be careful in ringing in and out.

IV. Physical examination.

V. Educational department.

A. Instruction in rules and policies.

B. System instruction—Part I.

C. Luncheon.

The messenger of the educational division offers to take those who wish to go to the store lunch room. In many organizations, the new people are taken to lunch by a sponsor from their department. The lunch is paid for by the organization. This is an excellent way of gaining good will.

D. System instruction—Part II.

VI. Introduction to fellow employees.

Introduction of the employee after the finishing of the system may be done in two ways.

A. Messenger introduces employee to the division superintendent, who, in his turn, has the responsibility of introducing her to the aisle managers and various members of her department.

B. The sponsor in each department (sponsor means a person who has been selected in each department to take charge of new people and familiarize them with their work) is called to the Educational Division. The new person is introduced to her and then the responsibility of making her known in her section of the store belongs to the sponsor.

In another store the period of training prior to selling lasts two days. The program of work is as follows:

FIRST DAY

9:00–10:00	Employment office and time desk.
10:00–11:00	System I and measuregraph.
11:00–12:00	Store directory and tour to lockers, etc.
12:00– 1:00	Lunch.
1:00– 2:00	Cash register I.
2:00– 3:00	Study of instruction booklets.
3:00– 4:00	System II.
4:00	Store policies and organization—promotion possibilities.

SECOND DAY

9:00–11:00	Instruction department under fellow-worker secretary.
11:00–12:00	System III and Cash Register II.
12:00– 1:00	Lunch.
1:00– 2:00	Study period.
2:00– 3:00	General examination.
3:00– 5:00	Instruction in department under fellow-worker secretary.
5:00	Return to school of salesmanship for certificate of instruction.
5:15	Return to department and present certificate.

Although not definitely stated in the outline, a personal interview with the teacher in charge is an important feature of this two days' plan. In the course of a friendly talk with the new worker, the teacher learns much concerning her tastes, abilities, needs and ambitions.

Training in System.—Teaching new salespeople how to make out the various forms of the salescheck is a universally accepted function of an educational director. In order to do this successfully, the teacher must first learn the details of the system. It is often found that there is a surprising lack of uniformity in the handling and interpretation of the store's system. Some salespeople may never have heard of a rule which others are carefully observing. If a system manual is not in use, it is good policy to prepare one, illustrating forms, and giving explanations of procedure.

In teaching salescheck forms, the teacher should not lecture or demonstrate more than is necessary. Best results are obtained by making the pupils do the work. For example, all details of sales are dictated to the pupils who write out the sales on saleschecks as though the actual sale were being made in the department. Great care should be taken in selecting problems so that all possible contingencies are covered.

The more difficult combinations in addition and multiplication are preferable to the simpler forms. For example, this problem:

3 shirts	@	$2.49	$ 7.47
2 ties	@	1.39	2.78
3 collars	@	.35	1.05
			$11.30

is a better test of mentality than this one:

3 shirts	@	$3.00	$ 9.00
2 ties	@	1.00	2.00
3 collars	@	.25	.75
			$11.75

In particular, salespeople who are to sell in yardage departments should always be well tested in fractions.

Addresses used in dictated sales should be planned to bring out the many small points which experience has proved need emphasis. Some of these points are:

1. Care in getting the correct spelling of all unfamiliar names and of those which are spelled in more than one way as "Rogers" and "Rodgers."
2. Correct forms of abbreviations permitted as "Ave." or "Blvd."
3. Use of addresses of apartment houses and hotels in order that the importance of recording suite number and room number may be taught.
4. Use of more difficult names of customers, streets, and towns, instead of any simple combination which happens to come to mind.

While the system lesson is going on, the instructor notes especially such points as the following:

Clearness of writing and figures.
Spelling.
Accuracy.
Neatness and general standard of work
Quickness to grasp and apply.
Aptitude for department to which assigned by employment office.

Other matters of a more personal nature which cannot fail to be observed are the appearance of person and clothing, a tendency to nervousness and shyness (which is a serious drawback in selling) and any marked physical defects such as deafness, defective vision and poor muscular control. If the store has not adopted the policy of a simple physical examination for its new employees, a report on such points as these is obviously of value to the employment manager. It is customary to give this official each day a brief report on each person instructed during the day.

After a new salesperson has been at work a day or two, a member of the educational department visits her in her depart-

ment, asks a few review questions, cleans up any difficulties and gives any advice which the case calls for. A report is obtained from the floor superintendent on the work of the newcomer and, if it is not satisfactory, a special lesson may be given.

The amount of time given to training new salespeople in system varies greatly. In some stores, the use of the cash register and measuregraph is included in the system work, and is taught the first or second day, while in others, these and special matters are taken up later. It is probably safe to say that the training in system occupies from one-half to five days, according to the amount of ground covered, the number of lessons given, and the thoroughness of the teaching.

The Training of Juniors.—The division of workers commonly known as juniors usually includes messengers, packers or wrappers, examiners or inspectors, and stock boys or girls. To be exact, the classification generally includes all young people in the organization between the years fourteen and twenty-one.

Formerly, most stores attached little importance to the training and development of the younger employees. If a boy or girl left, it was easy to replace him or her, since such help was plentiful and cheap. It is now recognized that the younger workers are the store's most valuable material for the building of a firm and well-knit organization. Every effort is being made by the thoughtful employer to select the right kind of young person and give him the best possible training, and then see that he is advanced according to his merit.

Selection of juniors should be made on the basis of employing boys and girls who are believed to be well suited to the organization and who, presumably, will be worthy of promotion to higher positions. In hiring juniors, the superintendent in charge shows them a promotional chart and explains the opportunities open to promising workers.

Constant supervision, personal contact, and encouragement are considered very important factors in the training of juniors. Girls between the ages of sixteen and eighteen become discouraged very easily and are often ready to leave

their positions for the most trivial reasons. The person who takes a friendly interest in them and wins their confidence will be able to prevent much shifting.

Regular, unremitting follow-up is a special need of this group, not only because of the youthfulness of the workers but because a great amount of exact, detailed work is required of them. Since the junior employees form the groundwork for the personnel of the future, it is clearly advantageous to make the positions which they hold as attractive as possible by proper training, supervision, an adequate wage, and a satisfactory promotional plan.

TRAINING IN MERCHANDISE

The buyer is the logical person to teach the qualities of the merchandise to those who sell it. Such is the idea of many stores. It would seem a foregone conclusion that every buyer would take up new merchandise with his department as soon as it is received, yet many buyers never do this, and others do it but seldom. Some simple plan should be inaugurated by which salespeople are sure of receiving instructions in the merchandise sold.

In other stores, it has been found that it is more satisfactory for a trained teacher to learn merchandising to the point of being able to instruct salespersons, than for a buyer to attempt to become an instructor.

In some stores the educational department has assumed responsibility for systematic instruction by buyers. The management must, however, stand back of such a plan and be ready to enforce it, if necessary. While some buyers are natural teachers and need little, if any, assistance in this work, others must be helped and encouraged by the educational department until they have sufficient confidence to carry on the teaching unaided.

In some stores merchandise instruction is given by the assistant buyers. In other stores, particularly larger ones, the store is divided into sections, and one teacher is made responsible for all the training of the workers in a given section. The division is sometimes made according to floors and sometimes

on the basis of merchandise. Where this plan is in operation, the teacher gathers information regarding the merchandise from the buyer and from all other available sources.

The Use of Merchandise Manuals.—Merchandise manuals or pamphlets containing in concise form the most important facts which salespeople should know concerning a given line of stock are considered valuable by some stores. The information is obtained and compiled in a variety of ways, sometimes by the educational department in cooperation with the buyer and salespeople, by the buyer himself, by the advertising department, and sometimes by outside experts engaged to do this special work.

An important point to remember about the merchandise manual is that some one must be responsible for frequent revision, since much of the value of the manual is lost unless the information is fresh and modern.

The handkerchief department manual of a large Eastern store reads in part, for example, as follows:

Materials

Linen
Cotton
Silk

Styles

Lace
Embroidered
Hand
Machine

Workmanship

Hems
Designs
Constructions

Linen

A light weight, plain woven cloth made from flax fibres. Distinguished by unevenness of threads

Selling Points of Linen Handkerchiefs

1. Very soft
2. Absorbs moisture quickly
3. Launders very well
4. Keep their crispness indefinitely
5. Keep their whiteness

Hand Spun Linen

The finest hand spun linen handkerchiefs come from France. Hand spun linen is softer and has much more of the silver luster for which linen is so much admired. You will find it easy to recognize this which is the most beautiful of the sheer linens

Selling Points

1. Quality
2. Sale as linen

Cotton	Selling Points
Cotton is a plain woven material, value depending on quality; fuzzy, and apt to become yellow in laundering. It does not readily absorb moisture	1. Less expensive than linen 2. Holds dye
Lissue	Selling Points
Lissue handkerchiefs are made of fine mercerized cotton	1. Fine quality 2. Designs on lissue are always fast color
Crepe de Chine	Selling Points
A soft, light-weight silk of plain weave, with a finely crinkled surface, produced by twisting the filling threads very tightly, and alternating them according to the direction in which they are twisted	1. Very durable 2. Launders well 3. Takes good colors
China Silk	Selling Points
Real China silk is a thin silk distinguished by the fact that some of its threads are heavier than others and by its extreme softness. The imitation lacks the softness and luster of the real article, besides being made of even sized threads	1. Wears well 2. Launders as well as white cotton.

Kind of Handkerchiefs	Materials
Women's handkerchiefs	Linen, cotton, silk
Men's handkerchiefs	Same as women's
Children's handkerchiefs	Linen, cotton
Etc., etc.	

The above sample shows what may be done in the way of an extremely simple merchandise manual. Many manuals are elaborate and complete.

Merchandise Exhibits.—Valuable and instructive exhibits showing processes of manufacture may be obtained from some manufacturers. Such an exhibit may be placed in the department where the merchandise represented is sold, or in the class room. These are most helpful in making merchandise lessons concrete, easily remembered and interesting. When explained, these exhibits are of great interest to salespeople and frequently to customers who may overhear a merchandise lesson of this kind being given in a department.

Many manufacturers issue advertising material of distinct educational value. Books, circulars, and pamphlets should be examined for the information contained in them, and, if found good, should be brought to the attention of the salespeople who sell the advertised article.

Reference Books and Magazines.—Somewhere in every store there should be place for a reference library. In the large stores it may be necessary to have a librarian to take care of the books and assist employees in finding the desired information.

In all store libraries place should be found for the following:

English dictionary.
French dictionary.
Atlas.
Encyclopedia and dictionary of names.
Book of synonyms.
Histories.
Books on costume.
Reference books dealing with merchandise carried in the store.

Public Libraries.—The public libraries in a number of cities have compiled lists of books contained in the library which are of interest and value to store workers. In some cases the expense of printing the lists is borne by the library and in others by the Chamber of Commerce or Retail Trade Board. The public libraries of St. Louis, Detroit, Toledo, Cleveland and Newark are among those which have prepared lists for stores.

The Use of Moving Pictures in Training.—Motion pictures for instructing salespersons in their work are now available for retailers. Sales are often lost because of the ignorance of the salesperson as well as that of the customers. There are comparatively few books on the process of manufacture of the various commodities sold over the counter, and these are not attractive to the average sales girl. If the sales force could see the story of their wares they would be able to guide the choice of their patrons more intelligently.

Motion pictures can be used effectively in teaching salesmanship and selling methods.

Entertaining and instructive as motion pictures undoubtedly

are, they should not be considered a substitute for class room work, since they do not develop the mind or stimulate independent thought and study. A lesson may be followed by a picture but a picture shown without any preparation or amplification is likely not to be understood.

SALESMANSHIP

It took a long time to convince retail stores that salesmanship was not necessarily special knowledge gained only through years of experience, but that it could be taught salespeople, and thereby the selling efficiency of the store enormously increased.

Salesmanship, as Nystrom says, is nothing more nor less than presenting ideas to the customer's mind in the order and manner that are most likely to gain for them a favorable consideration. The successful salesperson, therefore, is a student of human nature.

Making a sale is generally divided into three parts:

1. Approaching the customer.
2. Demonstrating the goods.
3. Closing the sale.

The importance of creating a favorable impression on the customer should never be overlooked. However, the method of approach is many times subject to discussion. It is at this point that the salesperson makes her initial analysis of the customer, suiting her methods to the type of person. In some departments, however, such as the book department, customers many times prefer to be left alone until they have made a choice and the approach of a salesperson may prevent rather than make a sale. Ordinarily, however, the customer requires immediate attention and the manner in which this attention is given will do much towards making the customer's mind favorably inclined towards the actual purchase.

Presenting the merchandise for the customer's consideration requires an expert knowledge of merchandise, and the selection of those points which are most likely to appeal to the particular type of customer. The force of the presentation and the confidence of the salesperson will do much towards effecting a large percentage of sales.

Closing the sale is the most critical part of many sales, since the ultimate decision may be dependent upon the tact and judgment of the salesperson. Salespeople are frequently in a position to know a great deal more about what is becoming, or what is suitable, than the customer, and should, whenever possible, exercise this knowledge.

The teaching of salesmanship, as many store executives know, is not simple. With the best will in the world many salespeople seem unable to grasp the essential principle of salesmanship that it is the customer who must be sold, and not certain goods which must be sold the customer.

A definitely outlined course in salesmanship, based on a dozen or more leading topics, may be given in a series of conferences or lessons to a group in a class room. These frequent discussions are helpful in rousing interest and holding it over a considerable period. Many problems are brought up by the pupils themselves. Salesmanship may also be taken up with department groups in a department.

In one store every saleswoman has a six weeks' course in salesmanship whether she is experienced or inexperienced. This is done in order that, to a certain degree, there will be a uniform method of salesmanship, and that each possesses the store's individual idea of service.

All such classes should be held in store hours, preferably the first hour or two in the morning. Managers will find it both interesting and advantageous to visit classes, while such action on their part stimulates interest on the part of the salespeople.

The Demonstration Method.—Salesmanship may be taught with special success by the demonstration sale method. While such a sale may be undertaken with a general group in a class room, best results are obtained if the demonstration is confined to the members of a single department or of several closely related departments, such as cloaks and suits. In this way the application to special and individual problems is more easily made. The salespeople may be assembled immediately after the opening of the store together with the floor superintendent of the section and the buyer of the department.

The demonstration is aimed to bring out both the types of customer likely to be encountered, and the selling points possible for the salesperson to bring up. Helen Rich Norton, of the Prince School, classifies thirty-six types of customers which the salesperson is likely to encounter.

One of the group is generally chosen for the salesperson and someone, usually an experienced person from another department, acts as customer. The "customer" is coached as to the proper points to bring out in the course of the sale so that the demonstration will be of the greatest value to those participating.

A discussion of the sale is conducted afterwards. Naturally, a difference of opinion frequently arises as to the best way of handling a particular situation and customer. Such a discussion is stimulating to all concerned.

TRAINING EXECUTIVES

The hardest and one of the most necessary tasks in educational work which a store must undertake is the training of its executives. Methods differ a great deal. One department store has a most interesting and effective course. In order to select applicants for this course, the executives of the store meet and decide on members of the organization whom consensus of opinion agrees have potential possibilities for higher positions. These people are informed of their selection. The teaching of this group is done by the executives of various departments in the store. The lessons which they give are supervised by and planned with the training division. In this way the training division teaches the executives, who in their turn train those under them for advanced positions. These courses have been most successful. At the end of each course five or six out of the group are promoted. Care, of course, is taken to limit the number taking the course to the probable number of promotional opportunities which will occur during the year.

Special Executive Curriculum.—An excellent course of training has been mapped out by one New York store for its potential executives, in which the topics treated are as follows:

I. Subject Matter.

1. Purpose of the course.
2. Store organization.
3. Merchandise terms.
4. How stocks are influenced by purchase and sales figure comparisons.
5. The store's merchandising policies.
6. Relations between buyers and manufacturers.
7. Information on which to base buying.
8. How to determine the quantity of merchandise to be purchased.
9. How to place orders.
10. How to create and supply artificial demands—buying and selling for special sales.
11. A proper estimate of your competitor.
12. The general manager's office. Cooperation.
13. The importance of knowing your business.
14. Relation of department manager to salesclerks.
15. Reserve stock and forward stock.
16. Increasing the volume of sales.
17. Receiving and pricing of merchandise.
18. Clearing stocks.
19. Store personality.
20. Advertising from the department manager's standpoint.
21. The meaning and purpose of merchandising.
22. Functions and policies of the advertising department.
23. Weekly stock movements and inventory.
24. Functions and policies of the employment department.

II. Schedule of Lectures—Preparatory Training for Executive Positions.

1. *Introduction.*
   a. Opening exercises.
   b. Lecture—The General Policies of the Organization.

2. *Business Arithmetic, Part I.*
   a. Selection of auxiliary course.
   b. Relation of figures to every-day business.
   c. Percentages.

3. *Business Arithmetic, Part II.*
   Percentages, Mark-ups, Mark-downs, Help and Advertising.
   Percentages, Gross and Net Profit.
   a. Explanation of Buyer's Weekly Statements.
   b. How to compare figures of the current year with those of the previous year.

   a. Mark-downs and their relations to our general policies.
   b. Principles of the organization's cash buying, cash selling and underselling policy.

a. Reason for different profits in different departments.
b. How to determine the selling price of merchandise, with a view to the required percentage of Mark-up.

4. Relation of Buyer to Manufacturer and his Representatives. The correct moral standard of a Buyer in his dealing with manufacturers.
Duties and obligations of the Buyer in his dealings with manufacturers.
Reasons on which to base buying:
a. How to supply demands for staple merchandise, high-priced merchandise, and goods subject to style.
b. The importance of Call Slips and general Buying Information from the heads of Stock and Salesclerks.
c. How to create and supply artificial demands.

a. How to obtain special prices and other concessions from manufacturers.
b. Buying for special offering and dangers which are to be avoided.
c. Reason for preference of the organization's own merchandise.

5. Receiving of merchandise, examining merchandise, pricing.
Reserve and forward stocks, the dangers of reserve stocks.
Display of merchandise in forward stock.
The principles of good stockkeeping.
a. How to handle normal selling and Special Sales.
b. The right policy in regard to bargain tables.

6. The Training of Salesclerks by the Department Manager.
The need of dignifying selling as a profession.
How does the Department Manager obtain the best results from his Salesclerks?
a. Advertising from the Department Manager's standpoint.
b. Why does a department decrease in sales and what can be done?

a. The functions and policies of the General Management and its representatives. Cooperation on the part of the Department Manager and the results.
b. The value of Esprit de Corps.

a. Safe proportions between existing stocks and prospective buying and selling.
b. How to figure buying limits in their relation to end of the season.
c. Turnovers.
d. How to increase sales without increasing stocks.

a. Mark-downs and slow moving merchandise.
b. How to keep stocks moving and how to treat old season letters.
c. The merchandising advantage of departments without much old stock.

a. Relation between original Mark-ups and ultimate gross profit.
b. Explanation of the Department Manager's weekly statement.
c. Symptoms of business conditions as they appear on the weekly statement.

The Assistant Buyer.—A great deal of the executive material will be found in the ranks of the assistant buyers, and therefore many progressive stores have organized courses of training for them. This course is planned in close cooperation with the merchandise managers whose judgment as to subjects to be presented and discussed largely shapes the course. The education director works over the plans and submits them for approval; helps the speakers who may not be accustomed to presenting material in planning their talks so that they will be clear, interesting, and adequate, and in some cases holds review conferences with the group.

Wherever a training course of this kind has been attempted, it has been considered exceedingly worthwhile. The beneficial results are:

1. The developing of understudies who are really able to assume the buyer's responsibilities in his absence, and who constitute good promotional material.

2. A thorough understanding of the scope of the position of assistant buyer and a knowledge of the purpose and use of the forms required by the merchandising system.

3. An understanding of technical terms.

4. A crystallization of the firm's policies and principles. Needed uniformity in certain directions is often brought about.

5. The assistants appreciate being taken into the confidence of their superior officers and, as a result, they feel increased self-respect as well as greater respect for their work; a new enthusiasm and ambition are developed; and a greater sense of responsibility leads to far more effective cooperation.

Excellent examples of outlines of courses for assistant buyers that have been used in various organizations may be found in the February, 1922, issue of the *Prince Alumnae News*.

CHAPTER XXXIV

RECORDS AND PROMOTION

It is advisable to centralize the keeping of employees' records in the personnel department. These employee records are the foundation of the rating system.

RATING

Two distinct types of data are necessary to compose the rating schedules which form indices of the value of each employee to the organization by supplying an up-to-date history of everything that has transpired.

First is the record of facts which any clerk can enter from reports made by the timekeeper (of punctuality, attendance, etc.) and the statistical office, or whatever office is concerned with reports of sales, errors, etc., in any particular organization. These records of facts are purely matters of fact, involving no personal judgment.

The second type of entry on the rating card is that depending on personal opinion, that is, a judgment of the employee's personality, personal appearance, cooperative spirit, etc. It is impossible to have an effective rating system without taking into consideration these important qualities which must, of course, be based on opinion. The impartiality of the judgment rendered must be preserved by receiving more than one opinion and averaging the results. In a large organization it is more practical to have these opinions from several people directly in touch with the employee, such as the buyer and the aisle manager, than to depend for impartial treatment on a committee made up of people who are not in intimate touch with the employee's work.

Determination of points on which the individual should be rated is an important process in creating a successful rating system. There are certain factors which should govern the selection of these points:

A B C DA DC DE DF DG DH E F G H I J K LA M N O P Q R S T U V W X Y Z 12 18 24 30 36 42 48 54 56 58 60 62 64 70 72 74 95

Application for Position, L. S. PLAUT & CO., Newark, New Jersey **Date**_____192

Name _____ Department _____

Address _____ Time clock No. _____

Maiden Name _____ Nearest Telephone No. _____ Sales No. _____

Trade _____ Position applied for _____ Age _____

Department desired: 1st choice _____ 2nd choice _____ 3rd choice _____

Have you worked here before _____ If so, in what department _____ How long _____ Reason for leaving _____

With whom do you live _____ Married ☐ Single ☐ Keep house ☐ Board ☐ Live with Parents ☐

How many are dependent upon you for support _____ Number of children _____ Salary expected _____ Salary Received in Last Position _____

Last Employer	Name Address	Your Position	When did you leave How long employed	Reason for leaving
Previous Employer	Name Address	Your Position	When did you leave How long employed	Reason for leaving
Previous Employer	Name Address	Your Position	When did you leave How long employed	Reason for leaving

IN SPACES BELOW GIVE NAMES AND ADDRESSES OF PERSONS—NOT RELATIVES OR FORMER EMPLOYERS—WHO HAVE KNOWN YOU FOR MORE THAN ONE YEAR. IF POSSIBLE, NAME A PROFESSIONAL MAN OR WOMAN, OR THE OWNER OR MANAGER OF A BUSINESS.

NAME	ADDRESS

TO BE FILLED OUT BY APPLICANTS UNDER 21 YEARS OF AGE

How old were you when you left school? _____

What grade of school were you in when you left? _____

Name of School _____

Address of School _____

What studies did you like best? _____

What courses have you taken since leaving school? _____

In consideration of employment by L. S. PLAUT & CO., I agree to obey their rules and regulations, and enroll as a member of L. S. PLAUT & CO.'S Employees Mutual Aid Association, subject to its constitution and by-laws. This agreement can be ended at any time by either L. S. PLAUT & CO. or me, and wages will be paid pro rata for services rendered.

Signature of Applicant, _____

DATE_____ DEPT._____ Salary per week_____ *Signature of Employment Manager,* _____

NAME	EMPLOYED			RE-ENGAGED			RE ENGAGED			RE ENGAGED			RE ENGAGED			RE-ENGAGED			RE-ENGAGED		
	JAN			FEB			MARCH			APRIL			MAY			JUNE			JULY			AUGUST		
	1920	1921	1922	1920	1921	1922	1920	1921	1922	1920	1921	1922	1920	1921	1922	1920	1921	1922	1920	1921	1922	1920	1921	1922
SALARY																								
SALES NO																								
DEPT																								
PHY EXAM																								
SALES																								
STOCK WORK																								
APPEARANCE																								
PUNCTUALITY																								
ATTENDENCE																								
ACCURACY																								
TOTAL																								
RATING																								

MONTH	AMOUNT OF SALES			R B S & COM			SELLING PERCENTAGE			DEPT PERCENTAGE			ABSENT OR TARDY						ERRORS		
	1920	1921	1922	1920	1921	1922	1920	1921	1922	1920	1921	1922	1920		1921		1922		1920	1921	1922
													A	T	A	T	A	T			
JAN																					
FEB																					
MARCH																					
APRIL																					
MAY																					
JUNE																					
JULY																					
AUG.																					
SEPT.																					
OCT																					
NOV																					
DEC.																					
TOTAL																					

FIG. 102.—Rating form.

1. They should be points fundamental to the position under consideration.

2. They should be few in number.

3. They should involve the minimum amount of clerical labor compatible with the desired result.

4. They should eliminate the element of personal reaction as far as possible, remembering always that rating is a matter of personal opinion guided by certain standards.

In order to assure the employee of fair treatment, after the rating of the employee has been given by the employment department in conjunction with the division superintendent and the buyer, it should be gone over again by the rating committee. This committee is ordinarily composed of the personnel director, the employment manager, the educational director, and the store superintendent. These executives have a sufficient knowledge of the people and a breadth of view essential to the impartial consideration of each case.

The value of a rating system to an organization may be summed up as follows:

1. It gives knowledge of the employee's work and character to the organization.

2. It develops the individual through analysis.

3. It checks the work of the personnel department. If, after employees are rated, it is found that a large number are weak in salesmanship, it shows the educational division where to concentrate training. It reveals the weakness and the strength of employees individually and as a whole.

4. It places promotion, transfer, and discharge on an equitable basis.

The Rating Form.—Rating forms differ in almost every store, both in contents and in method.

Figure 102 shows the rating form used by the L. S. Plaut Company, of Newark, New Jersey. It is printed on the back of the application envelope, thus having the two-fold advantage that all information relating to each salesperson is on one blank and all unnecessary clerical labor eliminated. Employees are rated on six points, each of which has a certain value, as follows:

1. Sales 45
2. Stock work 20
3. Appearance 10
4. Accuracy 5
5. Attendance 10
6. Punctuality 10

A perfect record would give 100 points.

1. Sales. The following factors are considered in rating an employee on sales:
   A. Selling cost. The individual selling percentage is compared with the department's average selling percentage. Allowance is made for the variation in cost in the different sections of the selling departments.
   B. Salesmanship. The type of salesmanship is also considered. For example, the man whose selling percentage was the lowest in the department might be marked "excellent" if only his selling cost were considered, but if the type of salesmanship which he renders is in any way detrimental to the department, his rating is lowered.
2. Stock work is rated on both quantity and quality.
3. In appearance there are three points considered:
   A. Adherence to dress regulations.
   B. Neatness.
   C. Cleanliness.
4. For each time absent from the store one-half the rating for attendance is deducted.
5. Each time the employee is late, one-half of the rating for punctuality is deducted.
6. Accuracy rating is based on the error records kept in the educational department.

Sales, stock work and appearance are rated by the buyer, the division superintendent or aisle manager, and the employment manager.

Attendance, punctuality and accuracy are all rated from records in the personnel department.

Figure 103, the rating card used by James McCreery and Company, is quite different. There are four main divisions—quality, quantity, experience, and cooperation, with a possible twenty-five points to gain in each.

Quality is divided into accuracy, which nets ten points, and neatness, courtesy and initiative, each netting five points.

Quantity represents the actual sales made.

Experience includes knowledge, which is rated at twenty points, and adaptability, which counts for five. Under knowledge information on store system, stock, service, etc., is counted.

Cooperation is divided into willingness and reliability.

Accuracy in rating is obtained by having the department head, the assistant department head, the section manager, and

No _____
Name _____
Street _____
City _____
Engaged _____
Month _____

			JANUARY								FEBRUARY								MARCH				
			Dep't. Head	Ass't. Dep't. Head	Section Manager	Floor Sup't.	Reconciled Rating	Office Merits	Office Demerits	Net Rating	Dep't. Head	Ass't. Dep't. Head	Section Manager	Floor Sup't.	Reconciled Rating	Office Merits	Office Demerits	Net Rating	Dep't. Head	Ass't. Dep't. Head	Section Manager	Floor Sup't.	
QUALITY	Accuracy	10																					
	Neatness	5																					
	Courtesy	5																					
	Initiative	5																					
QUANTITY		25																					
EXPERIENCE	Knowledge	20																					
	Adaptability	5																					
COOPERATION	Willingness	10																					
	Reliability	15																					
	TOTAL																						

Fig. 103.—Rating card for workers.

the floor superintendent give their ratings. If there is a wide difference a meeting is held and the matter discussed. Otherwise the various ratings are averaged. Evidence from the records gives the final check on the rating. All errors, for example, have been noted and are included in giving the final rating.

Figures 104 A, B and C show the central record card used by a large department store of Newark, N. J., in measuring the value of the various employees.

These three systems, in many ways so dissimilar, will afford

an idea of the possible range covered by rating systems in use at present and giving satisfactory results.

Error Records.—In order to have the store system understood and carried out, the error follow-up system is carried on by the educational division. The error system, as gen-

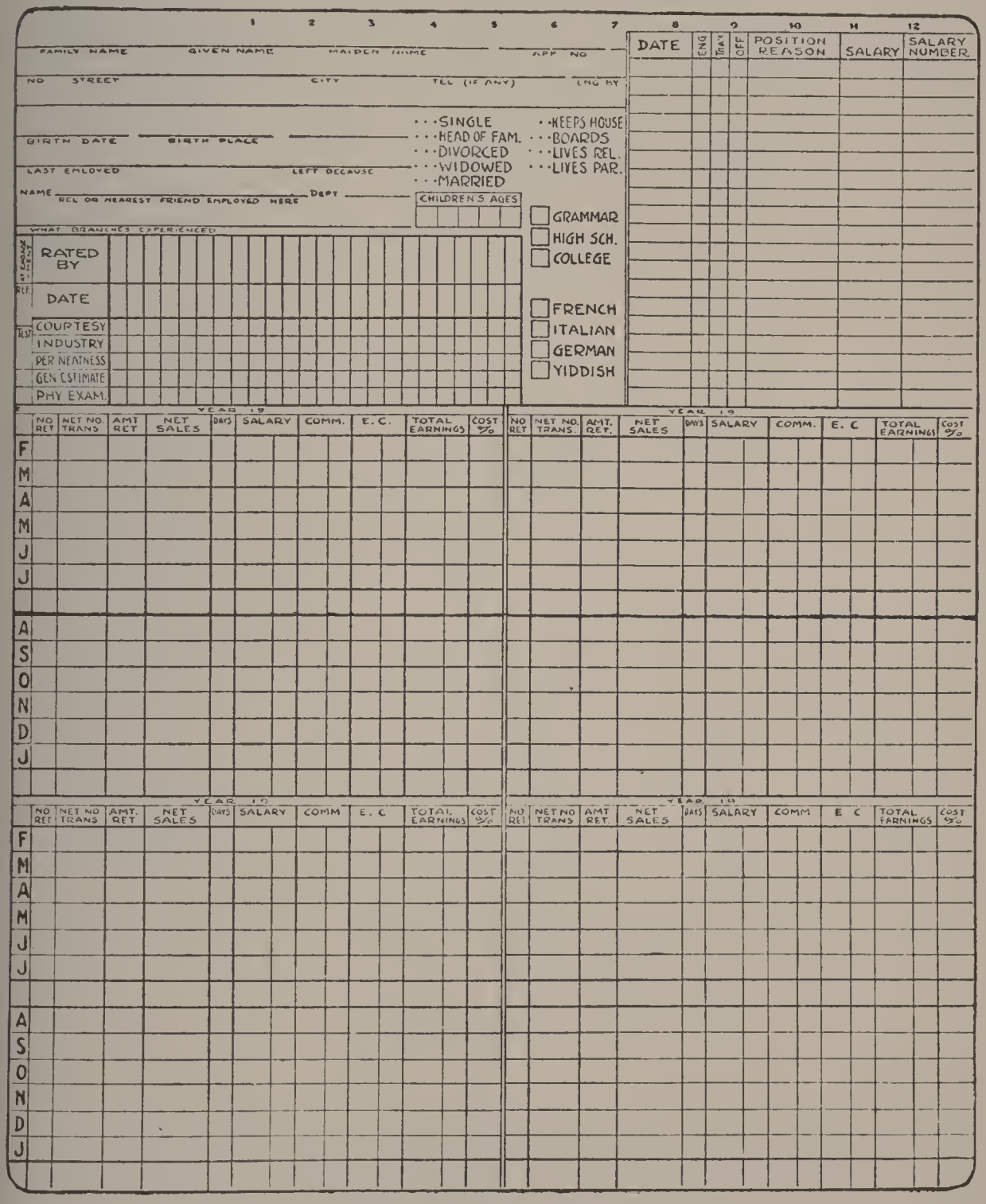


Fig. 104-A.—Central record card.

erally carried out, undertakes to discover by whom mistakes on the saleschecks were made so that these individuals may be instructed and corrected.

In most stores, all departments, desks, or offices, which receive any portion of the salescheck are asked to scrutinize

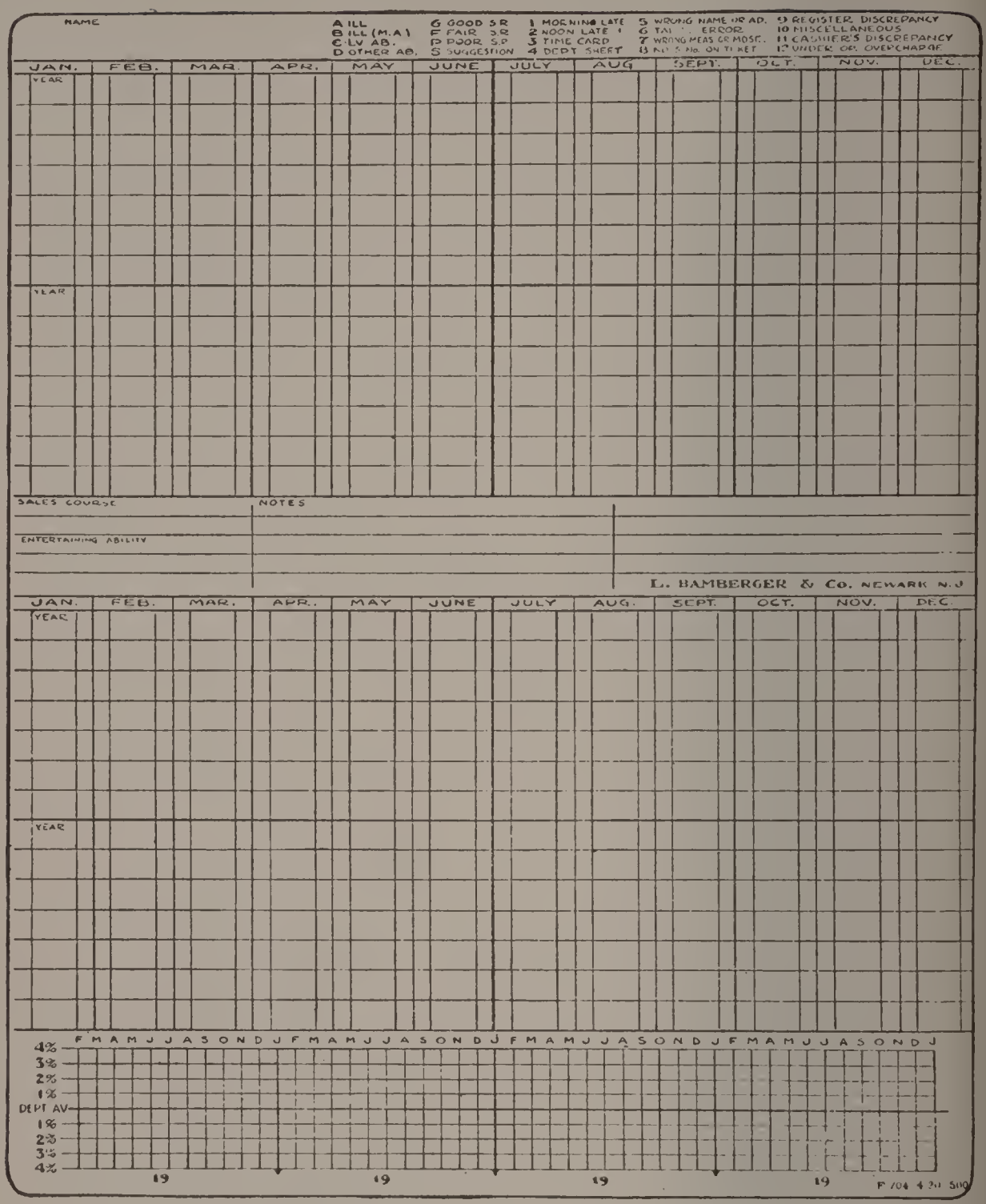


FIG. 104-B.—Central reco.d card.

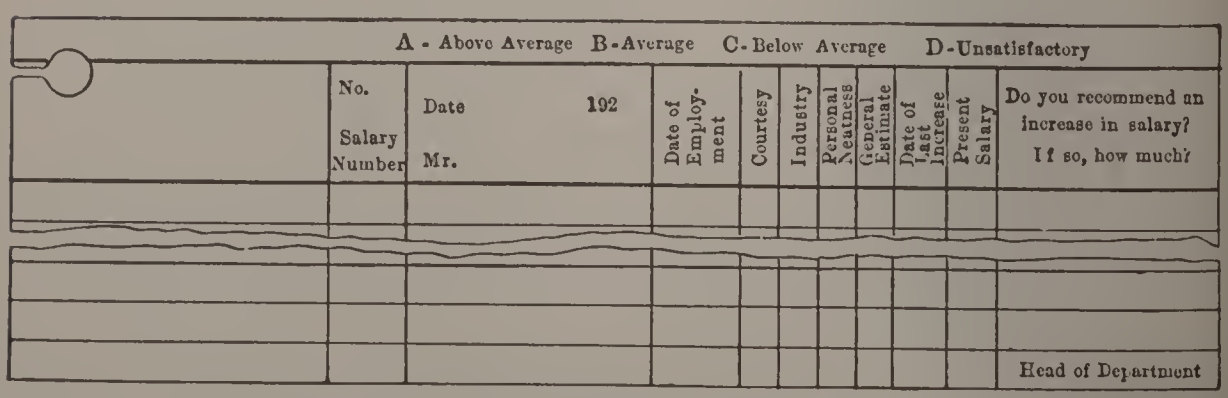


FIG. 104-C.—Central record card.

PENN TRAFFIC CO.

Salesperson.....

DAILY REPORT ON ERRORS

Dept.....

Month.....

Date.....	1	2	3
SALES-CHECK ERRORS			
1 Addition Incorrect	/		
2 Amount Received Incorrect			
3 Amt. Omitted on Sales-Ticket or Duplicate			
4 App. Tick't not prop. m'k'd cash, chg. or ret'd			
5 Book Number Omitted			
6 Bought by Omitted			
7 Check Number Omitted			
8 Customer's Name Mis-spelled			
9 Correction on Original and Not on Duplicate			
10 Correction on Duplicate and Not on Original			
11 Credit-Memos Not sent in or Late			
12 Department Number Omitted			
13 Date Omitted			
14 Discount Incorrect			
15 Delivered Omitted			
16 Extension Incorrect			
17 Figures Illegible			
18 Floorman's Signature Omitted			
19 How Sold Incorrect			
20 Merchandise Mis-spelled on Ticket			
21 Merchandise Omitted or in Excess			
22 Name Wrong			
23 Name Omitted on Sales Ticket or Duplicate			
24 N. B. Omitted			
25 Occupation Incorrect		/	
26 Part of City Omitted			
27 Price Incorrect			
28 Street or Number Incorrect			
29 Salesperson's Number Incorrect			
30 Street Mis-spelled			
31 Sales Book Index—Amount Omitted			
32 Sales Book Index—Amount Mis-placed			
33 Voids—Neglect to Mark Orig. or Dup. Void			
34 Wrong Ticket Voided			
CASHIER'S ERRORS			
1 Cashier Out of Station			
2 Cashier Fails to Receipt Ticket			
3 Cashier Receipts Charge-Ticket			
4 Name on Addr. T'k't not same as Sales T'k't			
5 Pass-Book Not Delivered with Merchandise			
6 Sales-Slip not Delivered			
7 Wrong Merchandise Sent			
8 Pass Book Added Incorrectly			
GENERAL ERRORS			
1 Customers Directed Wrong			
2 Delivered Late or Not as Promised			
3 Filling Orders Incorrectly			
4 Inattention or Discourtesy in Store or Tel.			
5 Mdse. in Bad Condition when Delivered			
6 Merchandise Omitted or in Excess			
7 Mdse. Passed by Checker Without Sales-Slip			
8 Solicitor Failed to Call			

FIG. 105.—List of errors made by employees.

it for certain errors. The list of errors is hardly ever the same in two stores, but each store makes a list of those errors which in its opinion are most serious in their effect on the public or in their tendency to retard and block the system. One large store lists only 12 errors, while another, not so large records 57. Figure 105 illustrates a list wherein most errors likely to be encountered are allowed for.

Certain errors such as "sales number omitted," "incorrect address," and "wrong extension" are common to all stores, while others may be peculiar to individual stores.

Whenever an error is detected by anyone it is recorded by code together with the number of the salesperson responsible for it, the department number, and the number of the sales-check. The records of different stations which check the errors are turned over daily to the educational department whose business it is to do the important "follow-up" work.

Checking Errors.—There are five places where errors in saleschecks may be discovered—by examiners, by the charge office, by the auditing office, by the cash room, or by the shipping room. The work of each office determines which errors shall be checked, as, for example, in the following case of a store listing twenty-eight errors.

EXAMINERS

X1—Date omitted
X2—Sales number omitted
X3—Wrong price on merchandise
X4—Merchandise missing or extra
X5—Floor Supt's signature missing
X6—Record of extra package missing
X7—Price reckoned incorrectly
X8—Price tag missing
X9—Name and address omitted on enclosed package (sent)
X10—Sent address omitted on body of check
X11—Charge address omitted on back of shipping ticket
X12—Under or over measurement

(X10 and X11 apply to sales charged to one address and sent to another)

CHARGE OFFICE

Chg. 1—Name misspelled
Chg. 2—Wrong name
Chg. 3—Wrong initials
Chg. 4—Purchaser's name omitted
Chg. 5—Floor Supt's signature omitted
Chg. 6—Sent address omitted on body of check (chg. to one, sent to another)
Chg. 7—Customer's signature omitted

AUDITING OFFICE

A1—Wrong entry
A2—Item omitted
A3—Name of city omitted on record
A4—Transfer number omitted on record

CASH ROOM

C1—How sold or amount received omitted
C2—Wrong amount entered
C3—Wrong carrier used
C4—Total amount omitted

SHIPPING ROOM

S1—Incorrect address

It will be noted from the above that examiners are held responsible for checking and reporting twelve saleschеck errors, numbering those which their work brings most naturally to their attention. The charge office is responsible for checking seven, the auditing office for four, the cash room for four, and the shipping room for one. An effort is made to include all the most serious errors and yet to keep the system from being too burdensome to carry out.

Previous to the installation of this error system there had been little attempt to correct bad habits of check writing, and the results obtained by the error system are exceedingly instructive.

The first month that the system was in full operation the total number of recorded errors was 13,115, and the proportion of errors to number of sales transactions was .045. That is, out of every hundred saleschecks, four or five were defective. One year later, as the result of persistent follow-up, both with the departments as a whole and with individuals, the total number of errors for the same month was 3,015, and the percentage of errors to sales transactions was .010. The records of some of the departments showing most marked improvements are as follows:

Before Error System	After Error System
502	141
383	48
243	16
104	21
232	26
301	25
456	62
160	8
97	4
835	46
519	22

Types of Errors.—While it is not possible to make any hard and fast division between errors which are serious and those which are mere technicalities, one store has divided errors into major and minor categories, as follows:

Major Errors	*Minor Errors*
Wrong name and address	Poor writing and figures
Omit aisle manager's signature	No money sent with check to tube room
Wrong addition or subtraction	Omit how sold or amount received
Wrong extension	Omit date
Wrong measurement	Wrong carrier
Mismates (shoes)	Wrong amount of merchandise
Checks held	Tallies incorrectly filled
Checks missing	Tallies incorrectly totaled

Cash Register Error System.—The question of shortages and overages by clerks using cash registers has become a serious problem. Although adequate training may do a great deal towards eliminating this inaccuracy, the training should be accompanied by an error system.

Accurate statistics should be kept of each individual's mistakes, and these mistakes should be pointed out daily to the salesperson. If necessary she should be called to the training division where the reason for the mistake should be explained. If necessary, the use of the cash register should be re-taught.

Some stores issue a monthly record of mistakes to their employees. This may be either posted on the bulletin board or published in the house organ.

There is often a bonus connected with a perfect cash register record at the end of a period of time. The success of the error system lies in the constant repetition of the correct method of using the register, and the daily follow-up.

Errors by Examiners.—While errors in the salescheck by salespeople are the most important in their effect on the smooth operation of the store, there are error systems applicable to other classifications of the personnel. For example, stores which use examiners find it very profitable to employ an error system based on the following mistakes:

1. Poor Wrapping.....
2. Use of "other goods" Stickers.....
3. Incorrect comparison of checks.....

4. Address not Stamped "Paid" or "Ch'ge O. K."
5. Careless Examination
6. Crossed Address Slips
7. Charge sent as C. O. D.
8. C. O. D. sent as Charge
9. Other Merchandise Enclosed
10. Neglect in Using Stamps
11. Personal Appearance
12. Desk and Supplies
13. Attitude and Conduct

Late
Absent
Dismissed
Remarks

Error System for Floor Superintendents.—The error system has been extended even to the floor superintendent. The following system is applicable wherever the floor superintendent is responsible for refund slips. Errors likely to be committed are as follows:

A. Date omitted.
B. Name omitted.
C. Street omitted.
D. House number omitted.
E. City omitted.
F. State omitted.
G. Date of purchase omitted.
H. Code omitted.
I. Code incorrect.
J. "Exception" not written.
K. No reason given for exception.
L. "Allowance" not signed by head of adjustment bureau.
M. No signature after "received in department by."
N. Signature of extra salesperson after "received in department by."
O. Amount of refund not written in words.
P. Employee's refund not marked "Net" or "Less 10 per cent."
Q. Illegibly written.

The results of this error system for one month are shown in Table XXIV.

Rewards.—Several stores make a policy of giving a reward in recognition of freedom from errors and high rating otherwise. L. Bamberger and Company have a merit system whereby a person who has made no errors and who has not been absent or tardy during a given month is granted a half-

TABLE XXIV.—NUMBER AND KIND OF ERRORS MADE BY FLOOR SUPERINTENDENTS ON REFUND SLIP DURING OCTOBER, 1922

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	Total
Allen						4	3			5			1					13
Atwood	1					3	4			4								12
Burns							2				4		1		1			8
Butler	1									3		1						5
Connelly							5									1		6
Cutting						5				2	2				1			10
Drake																		
Dwyer							2				1							3
French	2					3				4								9
Green															1	2		3
Griffin		1					3											4
Harris						3												3
Hill										2								2
Kelliher						4				3					2			9
Kelly																		
Kline	1					3	1			2								7
Leet											1							1
Lawrence						2	1			4								7
Mills						3												3
Total	5	1				30	21			29	8	1	2		5	3		105

day's holiday. If the record is maintained for twelve consecutive months, a medal is awarded and a cash bonus.

Another store gives an extra half day's pay for a month's perfect record as to attendance and errors. If an entire department maintains a perfect record for a month, each member receives a full day's additional pay, half being for her individual record and half for the department's.

PROMOTION

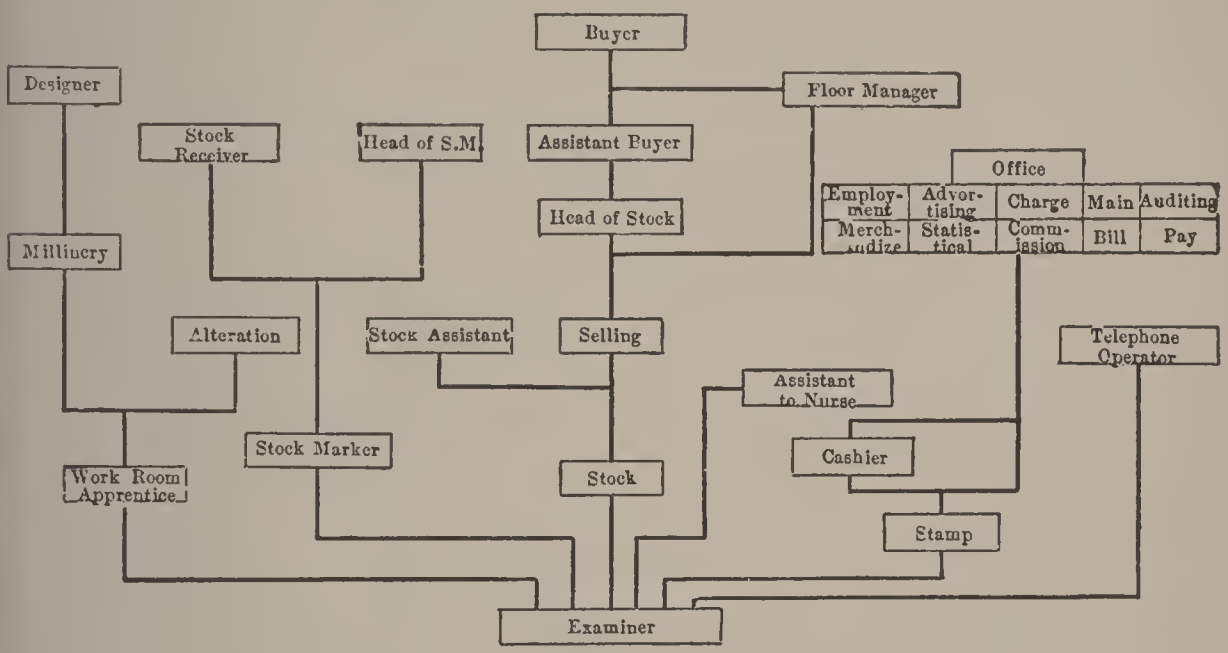
It is exceedingly important that the promotion policy of a store be understood thoroughly by all the employees. For example, some stores have a policy that all promotions shall be made from within the store. In other words, to reach an executive position, an individual must climb the ladder from the bottom. In other stores outside help is employed whenever it is judged expedient. The best policy is to give first choice to the store's own employees, but if the available talent is not present, to seek for it elsewhere.

Promotions may take place within or without the depart-

ment. Since there are only a limited number of executive positions within the department, advancement for some must lie outside.

Figure 106 shows the regular line of promotion in a typical store. For the salesperson the normal line of promotion is to head of stock, assistant buyer and buyer. Promotion in selling itself is often from one department to another.

Promotion for juniors follows the line of messenger, parcel inspector, and stock girl. From the last named position, she may either go into the non-selling departments of the store, or the selling departments.



(*Gilchrist Company*)

FIG. 106.—Promotion chart.

Promotion is, or should be, based upon the rating system, which shows the ability and the history of the employee's connection with the store. The employee should understand that her opportunity lies wholly with herself. This tends to secure the employee's good will and increase the loyalty of the force as a whole. It will also cause a decreased labor turnover.

In any method of promotion, salary adjustment is vital. There are two methods which have proved satisfactory:

1. The establishment of certain definite dates when every employee is considered for an increase, with exceptions which must be considered between these periods.

2. The policy that each employee is considered a certain

number of months after the date of employment and at regular intervals thereafter. The impression on the employee of giving an increase in wages without request cannot be overestimated.

If the increase is not given, it is equally important to have the employee told just why it was not earned in order that she may know in what direction it is essential to improve.

A complete discussion of methods of remunerating store employees is given in the following chapter.

Transfer.—Transfer is a development of placement and may or may not be in the nature of a promotion. Often after the initial placement the employee is not satisfied or does not fit. When placed in another department she is markedly successful. Frequently also a person who has made a success in one department has a pronounced desire to be transferred to some other department.

Transfers should be carefully considered. If the reason for the desired transfer is due to unsuccessful adjustment, it is very likely that the same trouble would occur wherever the employee was placed, and it is more profitable to point out to the employee from her rating card just where her weaknesses lie.

In many cases transfers are promotions. It is well known that certain departments do not offer the same advantages to the salesperson as others, and a transfer to a department offering better opportunities should be viewed in the light of a promotion and treated as such.

CHAPTER XXXV

REMUNERATION OF EMPLOYEES

The importance of compensation in the personnel plan of the retail store should never be underestimated. There are, according to Dr. B. M. Rastall, who made a careful study of compensation methods for the National Retail Dry Goods Association, certain essentials in any payment system which must be present to offer the best stimulus to effective work:

1. It must pay a fair wage.
2. It must offer to employees the highest range of compensation which they are capable of earning, consistent with increased returns to the store.
3. The system must be satisfactory to employees.
4. The system must be understood by employees. Practicality takes precedence over the accuracy which might be attained by complicated methods. Since stimulation of the employee is the end in view, and this stimulation can never be obtained by a system not understood by the employee, the aim is always to provide a simple working plan.

The most progressive stores stimulate the employees to their best efforts by allowing them to share by bonus or commission in the profits secured to the store by their efficiency. The purpose is:

1. To give the employee the highest compensation which he is capable of earning.
2. To increase the profit to the store by the results of better salesmanship.
3. To give to customers a share of the benefit, through the decreased prices possible only through decreased total costs of distribution which partly result from operation of such a plan.

Many stores have not as yet permanently systematized their methods of payment in either the selling or non-selling

divisions, but the process of installing adequate systems is rapidly progressing.

The most common systems of wage payments in use at present may be classified as follows:

1. Straight salary.
2. Straight salary supplemented by a commission on all sales.
3. Straight salary plus bonus.
4. Straight commission on all sales.
5. Flat quota throughout the year with commission on excess only.
6. Varying quota adjusted according to selling costs with a varying rate of commission.
7. Profit-sharing plans.

Straight Salary.—Payment of a straight salary represents the most primitive form of payment for services rendered. The salary is usually determined by the market rate for the particular position. This system is well adapted to the lower grade retail store where inexperienced persons are employed. For example, where the nature of the business requires a very low overhead expense, such as in many neighborhood stores, and in variety stores, the wage at market rates is the cheapest method for the store. Selling effort is hardly ever required.

The salesclerks usually live in the immediate neighborhood of the store. In many cases they are young girls and boys under twenty-one years of age.

It is interesting to note, however, that where a store is large enough to employ ten or fifteen salespeople a wage plan which includes extra payment for extra efficiency on the part of the salespeople has worked out very successfully. Even though profits to the store may not be appreciably increased, the labor turnover, large in this type of store, is materially decreased.

Straight Salary Plus Commission.—The commission plan of payment may be defined as "a percentage paid to individual salespeople on their total sales." In order to class as commission payment under this definition, percentages must be paid on all sales and not simply on some part. Hence any system which establishes a quota, paying only on sales in excess of this amount, or which pays only on certain classes of sales, would not be called commission. It is immaterial,

however, whether the commission paid is in total compensation, a percentage amount paid in addition to salary being classed as commission if paid on all sales.

The commission paid as part compensation in addition to regular salaries is well developed in retail stores, with a great variety of detail as to percentage amounts, methods of determination, and payment. About half the stores using commission plans pay flat rates without variance. The rest pay commissions varying with the specific department. In some stores commissions are paid only in special departments. Few stores on the commission basis allow for special seasonal variations.

Table XXV shows percentages of commissions paid by a large Eastern store in the various departments.

TABLE XXV.—COMMISSIONS PAID IN EASTERN STORE

Departments	*Percentages*
Kid Gloves	¾
Junior Gloves	¾
Fabric Gloves	¾
Neckwear, Linen Collars, Ties, etc	¾
Neckwear Over 50c	¾
Marabous, Scarfs, and Ruffs	½
Hosiery	¾
Veilings	¾
Misc. Jewelry	¾
Watches	¾
Gold Jewelry	¾
Leather Novelties, Purses, etc	1
Bags	¾
Christmas Cards	¾
Umbrellas, Parasols and Canes	½
Toilet Goods	¾
Women's Handkerchiefs	¾
Women's Knit Underwear	¾
Men's Hats and Caps	¾
Men's Underwear and Hosiery	1
Boys' Furnishings	¾
Men's Shoes	¾
Boys' and Children's Hats and Caps	1
Manicuring and Hairdressing	8
Hairdresses	5
Men's Barber Shop	6½

TABLE XXV.—COMMISSIONS PAID IN EASTERN STORE—(*Continued*)

Departments	*Percentages*
Boys' Barber Shop	7
Shoe Shining Parlor	5
Restaurant (Main)	1½
Captains receive 20 per cent of comm. earnings of dept. dividend equally.	
Cafe (Cafe)	1¾
Corsets and Corset Waists	½
Brassieres and Accessories	¾
Misses' and Girls' Underwaists and Corsets	¾
Muslin Underwear	¾
Women's Petticoats	½
House Garments (Women's)	½
Women's Aprons	½
Maternity and Sick Room Supplies	¾
Infants' and Children's Furnishings	½
Toys	1
Infants' and Children's Dresses	¾
Infants' and Children's Coats	¾
Infants' and Children's Millinery	¾
Infants' and Children's Shoes	¾
Misses' Suits	¾
Misses' W. M. Dresses, $12.50 (Inc. and Material)	¾
Misses' Coats	¾
Misses' Skirts	¾
Girls' Coats	¾
Girls' Dresses	¾
Girls' Waists	¾
Misses' Sweaters	¾
Misses' and Girls' Shoes and Slippers	¾
Misses' and Girls' Millinery	¾
Women's and Girls' Suits under $40	¾
Women's Coats	¾
Women's Skirts	¾
Women's Waists	¾
Women's Shoes and Slippers	¾
Women's Customs	½
Women's Extra Size Dresses	½
Women's Dresses	½
M. M. Dresses, $1 to $3.95, inc	½
Maids' and Nurses' Uniforms	½
Women's Trimmed Millinery	1
Basement.	
Misses' Suits	¾
Women's Suits	¾

TABLE XXV.—COMMISSIONS PAID IN EASTERN STORE—(*Continued*)

Departments	*Percentages*
Misses' Coats	¾
Women's Coats	¾
Women's Skirts	½
Dresses to $8	½
Women's Dresses over $8	½
Women's Furs	½
Girls' Dresses	½
Girls' Coats	½
Waists	¾
Silk Underwear	½
Muslin Underwear	½
Dresses under $2.95	½
Infants' Furnishings	¾
Corsets	¾
House Garments	½
Petticoats	½
Handkerchiefs	¾
Sweaters	½
Women's and Children's Gloves	¾
Men's Furnishings	¾
Boys' Clothing	¾
Women's and Children's Hosiery and Underwear	¾
Men's Gloves	½
Men's Hats	¾
Luggage	½
Men's and Boys' Shoes	¾
Women's Millinery	¾
Neckwear, Belts and Veils	1
Jewelry, Leather Goods, etc	¾
Umbrellas and Parasols	¾
Women's Shoes	¾
Misses' and Children's Shoes	¾
Talking Machines and Skates, etc	¾
Main Store General	¾
Basement General	¾

Henry S. Erb, auditor for Dives, Pomeroy and Stewart, of Reading, Pa., says the past year's costs and sales should be used in determining the percentage of labor cost. Once having determined this it is possible to put the commission plan into use. Figure 107 shows the method of keeping track of individual salespersons' records. The "rate" in this case means the base wage paid the individual. The commission is paid on

Form 193

No. A 5.

Name.....John Smith

1922

Month ending	Selling in dept.	Rank	Sales	Days	Salary	Per cent	Per cent rank	Rate	Remarks
1/25	5	2	$1,447.43	24	$113.33	7.9	4	22	1¾% Commission
2/22	5	2	$1,409.98	24	$112.67	8.0	4	22	
3/22	5	2	$2,174.88	24	$126.35	5.8	2	22	
4/19	5	2	$3,905.21	24	$156.35	3.8	2	22	
5/17	5	2	$2,354.05	24	$129.19	5.5	2	22	
6/14	5	2	$2,939.91	24	$139.44	4.8	2	22	
	5	2	$14,251.46	144	$778.61	5.5	2	22	

FIG. 107.—Loose-leaf record of six month's selling by "John Smith."

total net sales. In this department it happens to be one and three-quarters per cent. Thus John Smith earned a bonus of $25.33 during the first four weeks of the year, in addition to his regular salary of $88.

Figure 108 shows the form of recapitulating results for the benefit of department heads. The narrow portion at the left is torn off and posted for the information of employees. The right-hand portion is filed. The salary and per cent figures cover commissions as well as wages.

Where drawing accounts are paid and the commissions earned do not equal the amounts paid, it seems to be the general custom to wipe out the difference at the end of the adjustment period, starting the salesman again without handicap, but the drawing account is lowered or the employee shifted to another department or dismissed if the deficit recurs frequently.

Straight Commission on All Sales.—The straight commission plan can only be applied to certain departments of a store, such as furniture, men's clothing, rugs, etc. The salesperson is somewhat above the average and his own personality and knowledge of the goods are a great aid in completing a sale.

Such a salesperson is given a weekly drawing account based usually on his previous record of sales. He is paid quarterly or semi-annually the balance of his earnings in the form of a commission. If the total commission does not reach the total drawing account, there are two alternatives:

1. In some stores the drawing account for the following weeks is not taxed for the deficiency or difference.

2. In other stores the salary is paid just the same but in reckoning the commission for the next period, the shortage is deducted from the average. If the same individual continues to fall down over a considerable period, he is transferred or dismissed. In this way incompetents are weeded out.

In some stores the straight commissions in furniture, rugs and carpets, and men's clothing differs with the season. For example, in December, January and February, the commission is 5 per cent while the balance of the year it is only 4 per cent.

Dept. A								
Month Ending 1/25	Dept. A				Month Ending 1/25/19			
Name	Standing	Name		Sales	Days	Salary	Per Cent	Standing
Williams	1	Jones	2	909.87	24	68.20	7.5	3
Brown	2	Smith	3	1,447.43	24	113.33	7.9	4
Jones	3	Brown	4	268.85	6	15.00	5.6	2
Smith	4	Williams	5	3,092 61	24	152.35	5.0	1

Buyers will post this report in Dept. for clerks' attention	Total Sales	Total Salary	Average Per Cent
	$5,718.76	$350.46	6.1

FIG. 108.—Perforated loose-leaf record of one department's selling and the "wage" cost of that selling. Issued at the end of each four-weeks period for department head's guidance. The narrow portion at the left of the perforation, showing only the standing of the individual salespersons, is torn off and posted in the department. The righthand portion is filed by the department head for reference. The salary and per cent figures cover also commissions (not only weekly wages). In the fourth column the numeral alongside the salesperson's name is his permanent number. Sales are entered "net."

Flat Quota with Commission on Excess.—The flat quota with a commission on the excess is only a modified commission plan, the main feature of which is a set standard for every employee, with a weekly commission on the excess of the standard or quota. This makes it objectionable in departments doing a seasonal business, as in the rush of business the commissions are usually heavy, but in the dull months there is no chance for the salesperson to reach the quota, and therefore no incentive since the weekly salary is guaranteed.

In departments where sales are fairly even throughout the year, this plan works fairly well. The quota, however, should differ in the various departments according to the selling expense of the department. The quota increases, as a rule, with each dollar of pay.

Varying Quota and Varying Commissions.—The plan of having a varying quota adjusted according to selling costs with a varying rate of commission is comparatively new. The quotas are based on selling costs in the different departments, varying from month to month. This plan provides a uniform commission system which can be applied to every department in a store and an effort is made to make a fair and accurate allowance for all differences in selling conditions as between departments and sometimes even within a department.

In one particular case the selling costs were determined by taking a five-year average with special emphasis on the cost of the most recent year. The commission for sales beyond the quota was fixed at seven-eighths of the given selling per cent of the department. This fraction was used because it ensured an automatic result. No matter what the selling per cent of a department may be, a person at a $16 wage would receive a trifle more than $18 provided she sold the amount of merchandise set as a quota for the $18 girl.

A standard scale was worked out for every tenth of a per cent from 2 to 10 per cent, giving the corresponding commission rate at any given per cent and the quota applicable for each rate of pay at a given per cent. Under this system there is, barring mistakes of calculation or changed conditions, an incentive for the salesperson to try to go above the quota and earn commission. In the good months of the year the quota

is higher and the commission rate less. In the poor months the quota is lower and the commission rate higher. Therefore, in the good months the quota, although greater in most cases than the old system, is obtainable by every salesperson, and the opportunity is open to make a commission. In the poor months the quota, being smaller, still gives the salesperson a distinct incentive to try to secure a commission.

Bonus Systems.—The basic idea of the bonus is an extra payment for especially meritorious service. As usually operated, it is a special reward to the individual, earned by exceeding a set standard of quantity or quality of work. The two essential features of such bonuses are:

1. A true standard, fair to both employer and employee, and setting a fully defined goal.
2. Individual reward adequate to the effort required to exceed the standard and paid in proportion to results.

The aim in all bonus systems is to give a sufficient incentive to the best individual effort by offering a substantial reward for it. The bonus, as defined by the National Retail Dry Goods Association, is a payment, in addition to regular wage, for services exceeding a set quota or standard in quantity or quality. It may be determined as a percentage of sales above quota or by any other method of measurement. It is applicable to either the selling or non-selling force.

A number of types of payment commonly called bonus in store practice are not included in this definition.

Flat sums or percentages on salary paid at the end of the year are not bonus since they are not earned by individual effort or paid in proportion to merit. They are gifts or temporary additions to wages.

Payments on sales in excess of the previous period do not establish standards but simply handy comparisons. They penalize the conscientious salesman, the most energetic of the previous period probably receiving the least. Such payments may be made a valuable stimulus but can hardly be called a complete bonus system.

Sales above flat amounts set for a period are not considered bonus. There is no standard for judging individual merit.

The ideals of compensation in a bonus system are as follows:

1. To pay all employees fairly.
2. To secure a fair fixed basis for judging individual efficiency.
3. To give a sufficient direct incentive to the best work.
4. To give adequate reward for better work, offering the employee the larger compensation which he is capable of earning.
5. To secure for the enterprise the general benefits of such better work.

An important point in connection with part commission pay and bonus is that payments be made weekly, bi-weekly, or monthly, instead of at long periods, so that employees really are stimulated.

Bonus for Selling Help.—The type of bonus system commonly found in stores first pays a regular salary to the employee, and then pays additional compensation for sales above a fixed amount in each period. Usually the compensation is in the form of a percentage of such additional sales. The amount which must be sold before the bonus begins and the percentage paid above this quota are the two most important features for practical determination.

A wide variety in methods and amounts has been found. The most typical system first determines the average selling expense for the department, or, in other words, the total salary of the salespeople in proportion to total net quantity of sales. The quota is then set at the point where the individual employee exactly earns his salary at the average sales expense rate, and sales above this amount receive additional compensation, usually at a percentage rate somewhat less than the average sales cost.

Both the size of quota and percentage paid above quota are sometimes varied among the different departments in an effort to adjust the amounts to fair average sales expectation in the departments. Quota amounts are also frequently varied by months or seasons so that fair opportunity is given to earn bonus every month.

The selling bonus is usually a general sales incentive paid throughout the store. Where exceptions are made because of custom or special conditions, there is ordinarily some form of commission basis employed.

There are wide variations in figuring quotas and rates paid

above quotas. The most frequent percentages are 5 and 6 per cent. The most frequent bonus rate has been found to be 3 per cent.

In the investigation of bonus systems made by the National Retail Dry Goods Association, an average of 71 per cent of the salespeople in the stores studied were found to earn the bonus payment, averaging 16 per cent of the total compensation.

The following examples will show briefly how ordinary types of bonuses are proportioned:

1. On sales over quota. As previously mentioned this is by far the most common type of bonus. Quotas may be set either arbitrarily, from sales in previous periods, on the basis of a multiple of the salary, or on the percentage of selling cost. Sales above the quota receive additional compensation, usually at a percentage rate somewhat less than the average sales cost.

2. Based on general efficiency. A small Eastern concern pays 1 per cent on all sales and in addition an efficiency bonus of 10 per cent of the monthly salary for reaching a set standard of punctuality, attendance, and efficiency. If the bonus is earned three months in succession an additional quarterly bonus of 5 per cent is awarded. Three-fourths of the help succeed in earning the bonus.

3. Based on individual sales increase. In some stores bonuses are paid on increase in sales over the similar period the year before.

4. Based on departmental increases. The departmental bonus is intended to promote teamwork by giving a strong incentive to the salespersons who are better at keeping stock than making sales or vice versa to do their work efficiently. It does away with ill feeling between individuals concerning credit for particular sales, etc.

5. Based on selling expense. Some stores pay bonuses for reduction of expenses. In some instances this is combined with a bonus on sales over a certain quota.

Bonus for Non-selling Employees.—There has been little scientific application of bonus principles to the non-selling departments. There are no definite methods for making the

bonus an adequate stimulus to greater individual effort except in single departments such as packing, or delivery.

The non-selling bonus is usually a part of a general store or Christmas bonus shared in by all on a basis of salary and length of employment. As previously stated, this is not a bonus under the standard definition.

The ordinary form of bonusing non-selling employees is to give certain percentage of salary or amount to each employee. Sometimes, however, a general amount for the whole store is first determined and then shared upon some computation basis.

Payment to the individual is in most cases determined by the size of the salary, but there are also stores which distribute bonuses equally to all. In some cases payment is apportioned according to general efficiency and in others according to the judgment of executives. The amount of the bonus is frequently affected by the length of service of the employee.

Bonus for Executives and Buyers.—The payment of either bonus or commission to store executives is generally a matter of individual bargain. Profit or increased sales are the most common methods used in determining the bonus. The exact amount of the bonus given to the individual is determined variously in lump sums, percentage above department quotas, percentage of profit, percentage of total sales or percentage of salary. Where department heads receive a percentage on sales the rates run from ½ to 2 per cent. Where the bonus is in the form of percentage of salary, the typical percentages are 5 and 10 per cent.

Executive bonuses differ from those given to employees in that the time of payment is generally once a year rather than monthly.

Regular Wage—Commission—Bonus.—Store workers are ordinarily paid by one of three methods, a regular wage, a commission on total sales, or a bonus plan. In all cases the stores are attempting to make the compensation reflect the individual efficiency of the employee. Each of these forms of compensation has its firm adherents, and no salary plan should be adopted without carefully considering the merits of each:

1. The regular wage. A number of stores use the regular wage system after studying other plans. A few have returned to regular wage as total compensation after trying the other forms. The argument is as follows:

a. The employee feels that all commissions and bonuses are more or less uncertain and vastly prefers the same amount in a definite, known-in-advance payment. A number of examples are usually cited where employees left a store paying bonus or commission to go at a lower rate to a store paying flat wage, because of this feeling.

b. The commission or bonus stimulates unhealthy competition, "stealing of customers," and gives preference to the more forward rather than to the more efficient salespeople. Moreover, emphasis is put on immediate quantity rather than upon that quality of service which, in the long run, builds up the good will element and success of a store.

c. The advocates of the regular wage method believe that by adjusting salaries at frequent intervals on some fair basis of efficiency rating, a sufficiently effective and more healthy stimulus to the best effort may be secured.

The difficulty lies in providing a rating system which will be both ample and fair. It is always difficult to reduce efficiency to a mechanical or record measure, and judgment of immediate superiors all too frequently acquires the tinge of favoritism.

2. Commissions. The advocates of commissions believe that the average human requires a direct material interest in his work to bring out his best efforts. That

a. This is most strongly given when the employee receives commission and can see the definite return coming to him from every sale.

b. That the effect is spoiled when the compensation is remote as only after reaching quota in the bonus system or at long intervals of time as in general store bonuses or profit sharing.

c. That overstimulation can be avoided by education, development of store spirit, and better organization.

3. Bonuses. The advocates of the sales bonus believe that the system combines the advantageous features of both the

wage and commission systems, minimizing their disadvantages, as follows:

a. It guarantees a minimum salary close to the going rates of wage in other stores.

b. It offers special reward in a direct percentage of sales to all employees who do better than the department average.

c. It rewards only special (above past average) merit, thus emphasizing the idea of excellence which is essential to stimulation to the best work.

It is always necessary to consider whether the bonus percentage is large enough to constitute a sufficient incentive, or whether the length of period results in the employee being stimulated to special effort towards the end of the period when it becomes apparent that there is a good opportunity to exceed the quota.

It seems essential that the quota amounts be so placed that the average employee can reach them frequently with reasonable effort. It is also important that the quota be varied seasonally, so that there will be a good chance to earn the bonus every month in the year, but no month in which the bonus will be absolutely certain.

Profit Sharing.—Some retail establishments have adopted profit sharing methods of remuneration for employees. There is a great variety of practice, some of the better known forms being based on the following:

1. After all deductions from profits are made, including about 10 per cent for capital, the rest is shared by the employees in proportion to their salaries.

2. The net profits are divided equally between capital, management, and employees—the employees receiving their share in ratio to their salaries.

3. Arbitrary amount set aside out of profits every six months.

4. Proportion of profits for distribution is definitely determined in advance.

5. Method of determining individual shares is known, at least in a general way, to the participating employees.

CHAPTER XXXVI

SERVICE TO EMPLOYEES

The relations of the store with its employees have become of increasing importance in recent years. The reason prompting increased interest in the welfare of employees is not based on charity. It is based on the sound belief that stores adopting schemes for the welfare of their employees are more successful. While it is difficult to estimate the worth of certain intangible projects, costs do not appear to be out of proportion to the returns, because the employees are more loyal, the store is a better store, and the earning power is increased because of the increased good will and efficiency of the working force.

There is, however, another side to relations with employees. The personnel must be made an effective working unit.

In all retail establishments some form of discipline is necessary at times. The modern tendency is to use severe methods only as a last resort. As soon as a store realizes that discharge is one of the most expensive methods which can be used, discipline takes the form of pointing out to the employee wherein he or she is deficient.

It is always a wise plan to discuss matters with the employee in privacy and never in the hearing of other employees. The employment manager or store superintendent is usually the final court of appeal. Discipline of this nature will be reduced to a minimum by the most careful selection of the employees themselves and a wise code of rules.

In some stores matters of discipline are in the hands of a committee chosen by the employees themselves.

Tardiness and Absenteeism.—Lateness and absenteeism are serious problems. While the insistence of the store on prompt attendance is always necessary, the means of enforcing it differ widely. There has been a definite trend in the past few years to do away with penalization of tardiness and absence in most of the larger stores of the country, and

especially in New York City. This is due in great part to a better understanding of personnel problems.

Prompt attendance is a proposition which must be sold direct to the employees by an important executive of the firm. At one time Gimbel Brothers had an astounding number of employees reporting late every morning, and even though they fined them for lateness, it had no appreciable effect until the head of the firm took it into his own hands and in various group meetings brought up the subject of promptness, and started setting an example by coming to the store at 8 instead of 9:30 or 10 as formerly. He also had the other members of the firm on duty at the store at a considerably earlier period, usually between 8 and 8:30. There was an immediate drop in tardiness.

It can safely be stated as a fact that in those stores where tardiness on the part of executives is kept at a minimum the record of tardiness on the part of non-executives is correspondingly low.

Reports of tardiness and absences to those in authority encourage regularity, for employees are hesitant about taking any chance in coming late or remaining away for a day when they know every lateness or absence is brought to the notice of the Director of Personnel or the Store Manager, and put down on the rating card.

Following up all absentees by calling at the home of the worker is a remarkable aid in eliminating unnecessary absences. Some firms require all persons absent without notice to present a statement from the physician to the effect that they were ill, or other satisfactory explanation, before permitting them to return to work.

One method of promoting regularity and attendance is the paying of bonuses, awarding of prizes, or granting vacations with pay to employees who are neither tardy nor inexcusably absent during a stipulated period.

While in the past it has been a "common method" to make rewards for regularity and attendance, today most stores do not subscribe to such methods. Rather is it the practice to give consideration to an employee's record in the matter of promotion or increases in salaries. A great many firms prefer

this method of reward to that of an extra incentive to do the work, at least as regards punctual attendance, which the employee agrees to upon being engaged.

The addition of a medical department to a store has been found to bring immediate reduction of time lost on account of illness. This was forcibly brought out at the Jordan Marsh Company's store when their absenteeism on account of ill health was cut down 75 per cent within nine months after the installation of a medical department. By nipping cases in the bud, sending the worker home for the rest of the day, the medical department prevents the development of sickness which might cause several weeks of absence. Likewise the prompt and proper treatment of injuries prevents the development of infection which might cause absence.

The ordinary method of dealing with a tardy employee is to issue late passes from the superintendent's office before employee is admitted to the locker room. These passes are handled in any one of the following ways:

1. A late slip made out by superintendent.
2. A late slip made out by employee and signed by floorman, who sends it to the superintendent's office.
3. Individual permanent record card which employee gets in superintendent's office and presents at locker room, where it is signed and returned to the superintendent's office.

Another ordinary method is to close the time clock at a certain hour, and before a late employee can register he must secure his card at the superintendent's office. In one store it has proved successful to have the tardy employee submit card to the superintendent after store closing hours, the adjustment being made on the employee's time.

Payment of Wages During Illness.—Policies differ regarding payment of wages to employees whose absence from the store is caused by illness. The length of time for which payment is made is sometimes arbitrarily set by the store and in other cases determined by individual circumstances.

Most stores give greatest consideration to length of service, combined in a large measure with the quality of service rendered by the employee, in deciding how he shall be cared for when ill. Each case is decided on its own merits.

In the cases of deaths in the family a number of firms have arbitrarily decided on payment either in full or in part for three days.

Where mutual benefit associations have been formed, absentees because of illness are compensated out of the funds of the association. In some cases the firm contributes an amount proportionate to that supplied by the association.

In the case of absences caused by death in the family or other circumstances, the case is judged according to its individual merits.

Vacations.—Sharp difference of opinion seems to exist among stores as to just how vacations should be determined, and the length of time which should be allowed. In an investigation of 875 stores made by the National Retail Dry Goods Association, it was found that 12 per cent did not allow vacations, and these were principally stores doing a business of less than one million dollars annually. Fifty per cent of the stores allowed one week with pay, and 38 per cent allowed two weeks with pay. The length of service generally determined the vacation policy. Thirty-one per cent of the group required employees to be in their employ at least six months before earning a vacation, while 60 per cent required one year of service before any vacation would be allowed.

One of the most interesting vacation schedules recorded is that of the J. L. Hudson Company of Detroit. It reads as follows:

1. Any person who has been in our employ previous to February 1 of any year shall receive one week's vacation with pay.

2. Any person who has been in our employ previous to September 1 of the previous year shall receive two weeks' vacation with pay.

3. Any person who has been in our employ for five succeeding years previous to June 1 of any year, shall receive three weeks' vacation with pay, and shall have the privilege of taking one of the three weeks during the winter season at a time to be arranged with their immediate superior, should they so desire.

4. Any person who has been in our employ for ten succeeding years previous to June 1 of any year shall receive four weeks' vacation with pay, and shall also have the privilege of taking two weeks of the four weeks' vacation in the winter season, at a time to be arranged with their immediate superior, should they so desire.

5. Any person who has been in our employ for fifteen succeeding

years previous to June 1 of any year shall be entitled to the same vacation period as set forth in paragraph four and shall be entitled to a summer vacation bonus of $50 in addition.

5. Any person who has been in our employ for twenty succeeding years previous to June 1 of any year shall be entitled to the same vacation period set forth in paragraph four, and shall be entitled to a summer vacation bonus of $100 in addition.

Night and Summer Closing Hours.—The majority of dry goods and department stores close Saturday at 5, 5:30, or 6 p. m. This action was due to the influence of retail trade associations throughout the country.

Monday closing during the summer months was started several years ago by the Printemps in Paris and was found to be more feasible there than Saturday afternoon, when a large volume of business is transacted. The same situation prevails in this country, but other days during the week have been selected as half holidays during the warm weather. The week-end habit is spreading throughout the country, however, and there is a possibility of more cities taking up Monday closing in preference to Wednesday or Thursday. Wednesday appears to be the most popular selection in the majority of cities.

Shopping Hours for Personnel.—The hours in which employees are allowed to do their shopping differ in various stores. The store should be guided in its selection of hours by the periods during which the peak of outside business seems to be the lowest so that employees may not conflict in making their purchases with regular customers. It seems generally agreed that the earlier hours of the morning, immediately after opening, seem to be the most feasible hours for shopping by the personnel.

Practically all stores require employees when shopping to have a shopping pass issued by the department head or section manager. In every case it is necessary for employees to return this shopping pass to the person by whom it was issued. By placing the time when the pass was issued and when returned upon the form, it is possible to prevent any abuse on the part of the employee in staying away from the department for a considerable length of time. When employees are allowed to shop during luncheon periods, this pass helps to

identify them if they are dressed in street apparel, but it should also be necessary for them to be identified by some one in the store who knows them.

The practice of selling merchandise to employees at cost or at cost plus a certain discount exists only among the smaller stores. The most popular practice seems to be to sell merchandise to employees at 10 per cent less than the regular retail price.

Employees are usually required to take packages with them unless they are unusually heavy or bulky. Merchandise purchased in the store is commonly held at the time desk until claimed by the employee in the evening.

The general feeling among the more progressive stores of the country is that the employees should be allowed to purchase at the lowest possible price all such merchandise as is necessary for their immediate needs. It is never a good advertisement for a store when the employees either will not or cannot purchase the goods which it sells. It is an established fact that the merchant must sell his salespeople before he can sell to his customers.

Figure 109 shows forms used to regulate shopping by employees used by Lord and Taylor, of New York.

WELFARE OF EMPLOYEES

The activities which come under the head of welfare work are so numerous and so important that in many large stores a separate department is established with an experienced person, usually a woman, in charge. In stores where there is no social service director, such work is done under the supervision of the manager, the superintendent, or the educational department. In some stores it is divided among various officials. In smaller stores, an educational director can supervise and direct all social service activities.

Health.—The first and most important division of social service work is health. In every store a room should be set apart for the administering of simple first aid, and a qualified person, a trained nurse, if possible, should be available to help care for the sick and injured. Most stores of larger size employ at least two trained nurses, one for the work in the store

L T. 844
Series № 1348 Slip № 9

Issued to No. Date

EMPLOYES' SHOPPING PASS

Issued to

Number Employed 3 Months

This pass expires

PAID	CHARGE	C. O. D.

Sales No.	Check	Amount		SECTION MANAGER'S O. K. FOR DISCOUNT

Issued by Date

Series № 1348 Slip № 9

LT 516

DISCOUNT PERMIT

To be used when the bearer is a dependent of a Lord & Taylor employee

I hereby certify that I am wholly / partially *dependent*

on ..... *No.* .....
an employee of Lord & Taylor for my support.

Signature .....

Address .....

Approved .....
Employment Office

Good only for .....*(date.)*

NOTE.—When the merchandise purchased is for the use of a dependent other than the person to whom the permit is issued, Employment Office will so note on permit.

FIG. 109.—Form used to regulate shopping by employees.

and one for visiting sick employees in their homes. A doctor holding office hours daily may be consulted free of charge. It is important that these store doctors and nurses be of good professional standing. A second-rate person whose services may be obtained cheaply is poor economy.

Some of the functions of a typical health department are:

1. Initial physical examination.
2. First aid.
3. Daily clinic.
4. Inspection of working conditions.
5. Follow-up of health of each individual employee.
6. Home visiting.
7. Cooperation in the investigation of absentees.
8. Hygiene lectures.
9. Nutrition.

Preventive work in medicine is receiving more and more emphasis. It is considered quite as important to keep the well workers in good health as to treat those who are sick. With this end in view, the health department pays particular attention to working conditions:

1. Ventilation, lighting, and cleanliness of the entire store.
2. Equipment used by workers, with special reference to the hygienic features of chairs, desks, and tables used by sedentary workers. Equipment should be adjusted to the individual worker.
3. Type and care of lavatories.
4. Type and care of lockers and locker rooms.

The Harvard Plan.—The Harvard Medical School, in cooperation with twenty-five contributing stores, has undertaken much important work in reference to the health of mercantile workers. The following extracts from a recent announcement show the purpose back of the movement:

1. The Plan:—Under a cooperative arrangement between Harvard University and certain merchants it is proposed to seek the facts concerning preventable illness among store employees,

2. The reason for the work:

> Few stores have any conception of the amount of actual sickness, of lost time, and inefficiency ascribable to poor physical condition in their working force.
>
> An estimate from one large establishment ascribes 40 per

cent of the annual labor turnover to illness from preventable causes.

Manufacturers have recognized the fact that good health pays both directly, in promoting a better working spirit throughout the entire organization.

Store executives, personnel directors and salespeople recognize that the same situation is presented by their establishments and it is to contribute exact information in regard to the problem of preventable disease that the present studies have been undertaken.

3. Results:—Similar work in manufacturing plants has yielded satisfactory results and is now well established on a firm footing.

It is hoped by an academic study of store conditions and store people to learn where the application of widespread systematic hygienic methods and health education may greatly aid the workers to reach more nearly their full working capacity with less physical and nervous wear and tear, and with more pleasure in their work.

Dr. Arthur B. Emmons, 2nd, director of the Harvard Mercantile Health Work, says the first step is to provide a daily record sheet, one line for each patient, with ruled columns spaced as follows:

Four narrow columns to be checked, marked "Dept.," "Male or Female," "Employee," "Customer."

Then comes a broad space 2 inches in width for name, then three check columns, marked "Medical," "Surgical," "Industrial Accident."

In another broad column the nurse writes "Complaint." Then a column for "Treatment." Then the broadest space for "Disposition and Remarks." Finally nine check columns marked "To Work," "Rest Room," "Home," "Seen by M. D.," "Seen by Nurse," "Advice Only," "Recalls," "Floor Calls," "Transportation."

By adding these columns, a daily health report is obtained from which a monthly report such as the following may be compiled:

HEALTH SERVICE DEPARTMENT

Name of Store

Report for the Month of January, 1921

Working days	25
Average number of employees	1,400
Total new cases	803
Per cent of average number employees treated	57.4

Number of revisits	140
Total visits	943
Seen by store physician	154

Medical Cases

Relief given by nurse	761
Referred to family physician	15
Referred to specialists	9
Used Silence Room	61
Advice only by nurse on personal health	182
Advice by nurse on family problems	17
Dental cases treated in store	24
Referred to private dentist	8
Referred to Harvard Dental School	7
Referred to agencies	21

Surgical Cases

First-aid treatments	142
Surgical dressings subsequent to first aid	84
Number of accidents reported to Insurance Co.	13
Floor calls for accidents	2

Home Visits

Number of home visits made	21
Absences due to personal illness	7
Absences due to family illness	3
Referred for nurse's care to Vis'g Nurses' Ass'n	0
Not at home	6
Wrong address	4
Letters sent to absentees	4
Hospital visits	0

Customers

Customers' accidents reported to Insurance Co.	2
Customers' minor ailments	4
Customers' use of Silence Room	6

It should be borne in mind, however, that there is danger in attempting to keep too careful records of cases.

From a doctor's standpoint, detailed records are deemed essential, but no clinic will ever be 100 per cent efficient unless it handles 100 per cent of the store's sickness, and those cases of the more serious nature will seldom, if ever, be brought to a clinic if the employee has the slightest impression that a record is to be made. This is the actual experience of many large establishments.

Dental and Chiropody.—Most organizations recognize the great importance of dental work. It has been estimated that two-thirds of the applicants in the majority of stores need dental work done in some form or other.

The dentist is usually in attendance at some time during every day. He is provided with space and equipment and paid a certain amount. Some stores provide this service free to employees, while others charge a nominal amount.

Since salespeople must be on their feet such a large proportion of the time, a chiropodist in the store is a valuable adjunct. One store finds that a salesperson who has trouble with her feet is likely to become irritable, which fact is instantly reflected in her sales of merchandise.

Group Insurance.—Group life insurance is a plan of insurance whereby an employer may furnish protection to all the employees of an organization under one blanket contract.

It is issued on groups of from fifteen to several thousand employees of a common employer, under a blanket contract that affords protection to each employee individually so long as he remains in the service of the firm or as long thereafter as the stipulation calls for. Provisions in some contracts give the employee the right to convert the policy individually if application is made to the company within 30 days after termination of his insurance under the group plan. Certain hazardous risks, such as window cleaners, dynamo operators, chauffeurs, etc., are not included under group contracts.

Some policies provide for indemnities for total and permanent disability in consideration of a small additional carrying cost. Contracts for group insurance are generally issued without medical examination. All premiums, in most cases, are paid by the employer.

Group insurance is maintained mainly to make the job more attractive to the employee. It aims to promote loyalty and a higher degree of initiative from the employee. It does not, however, operate satisfactorily if intended for a substitution for wage increases, bonus, commission, workmen's compensation benefits, employee's welfare associations, good working conditions, or for other humane and appreciated benefits that might be part of the store's work-a-day program.

There are three general plans of group insurance, many modifications of which have been made to meet the particular requirements of employers:

1. Policies that provide the same amount of coverage for each employee (excepting executives and department heads) regardless of wage or length of service.

2. Policies that provide insurance in amounts equal to an employee's yearly wage with a limit for any individual, usually fixed at about $3,000.

3. Policies that provide an amount increasing with length of service. This plan has proved to be the most popular as it gives increasing insurance as a reward for continued and faithful service.

The effectiveness of group insurance in retail stores, as has been shown by results in different organizations, has depended to a great extent upon the manner of its introduction and installation. It must be sold to the employee as well as to the employer. Group insurance is unwisely installed when it is merely adopted hastily and insurance certificates issued to employees without explanation. They may have but little idea of what they are receiving and will not be impressed with its value. One plan is to place a series of explanatory leaflets in the pay envelopes, then hold group meetings, and describe the plan in detail.

Group insurance is based upon the yearly renewable term policy, with premiums payable monthly, quarterly, semi-annually, or annually. The rates depend upon the attained age of each individual and increase annually, although experience has shown that the group premium, which is the total of the combined individual rates, will not advance for some years but will remain practically stationary. The reason for this is that the older employees who die and discontinue will be replaced by younger lives on which the rate is less and on whom a smaller amount of insurance is carried.

Before the coming of group insurance, many retail stores, singly and in groups, struggled under the plan of providing insurance protection themselves for the employees. In most cases results were unsatisfactory, and on account of complicated actuarial methods and technical computations, the

stores were often embarrassed by the diversion of earnings for a safe reserve upon which to operate. There are, perhaps, a few large stores that could successfully carry their own insurance by utilizing a large sinking fund. A catastrophe, however, or an epidemic might cause an unexpectedly large number of deaths that would wipe out the resources of any but the strongest institution.

Mutual Benefit Associations.—In many stores an organization of employees usually known as the mutual aid or mutual benefit association exists for the purpose of giving financial aid to members in case of illness or death. An examination of the by-laws of these associations reveals great similarity in plan and policy.

Membership is ordinarily compulsory with monthly dues assessed accordingly to the amount of salary received. The store itself may or may not contribute a part of the funds paid in case of illness or disability of the employee.

Mutual benefit associations are often valuable adjuncts to group life insurance. The employer gives the group insurance outright to all employees in the service and, therefore, where there is a mutual benefit society, it is relieved of the burden of paying death benefits. This leaves more funds to the employee's associations for the payment of disability benefits due to sickness and accidents.

Such mutual benefit associations, when obtaining the active interest of the employees, form a combination with group life insurance which may prove of value to the merchant in further relieving distress and in keeping down needless absences by having the employees interested financially in keeping losses in their own organization at a minimum.

Pensions.—It is a fairly well accepted fact today that industrial pensioning is an acknowledgment of the debt which industry owes to the worker for his service during the productive portion of his life. Regardless of the underlying tendency involved, it is certain that more and more large organizations are adopting pension systems as a part of the work of the mutual benefit associations.

Recently the Shepard Stores of Boston formulated a pension plan for the benefit of their employees. This provides for the

retirement of employees who have been in the service of the store for ten years or more and have reached the age of sixty years for women and seventy for men:

Pensioners are classified in two divisions: those whose average wage during the last ten years of service was $20 a week or less, and those whose average wage during the last ten years of service was more than $20 a week.

The amount of pension for the employees in the first class is 3 per cent of the average wage times the number of years of service; for those in the second class the amount of pension shall be 2 per cent of the average wage times the number of years of service.

The John Wanamaker stores pension all employees on retirement at seventy years, or upon disability after twenty years' service, receiving one-half of their salary at the time of retirement, with a minimum of $8 per week, and a maximum of $100 per week.

Many of the smaller department stores have been pensioning their old employees, although they have not drawn up any specific plans, giving each case individual consideration whenever it is felt necessary to pension an old employee.

In general, a pension helps to bridge the gap between superannuation and death. Although any type of old-age pension is good, the kind which leans least towards a charity on the part of the company is best. The income from an investment to which the workman has contributed and which the company has helped him to accumulate is not charity, and has the further merit of leaving an inheritance to the family.

Employee's Savings and Loan Associations.—A number of interesting employees' saving and loan associations have been in operation for several years and have met with considerable success. The Credit Union of the Gilchrist Company, Boston, has a twofold purpose:

1. To help those in moderate circumstances to save.

2. To assist persons who have no bank credit and who are in need of financial help to secure small loans at a reasonable rate of interest.

The credit union is an association chartered by the State of Massachusetts under the control of the state bank commis-

sioner, with subsidiary unions in about ninety establishments throughout the state. The formation of like credit unions has also been started in eight states.

Cooperative Associations.—In an increasing number of stores the mutual aid association is merely a department of a larger organization most frequently known as a cooperative association which includes in its membership the entire personnel of the store. The purpose of such an association in one store is "to increase efficiency, to add to social opportunities, and to create and sustain a just and equitable relation between employer and employee." The association in another store states as its aim "to promote and maintain justice and a spirit of willing cooperation between the firm and its employees."

Cooperative associations are self-governing bodies having their own officers and controlling a wide range of activities which, in other stores, either do not exist at all, or are managed with varying degrees of success by the store executives or special officials. These activities include all forms of social diversion, clubs and classes held out of store hours, athletic leagues, lectures, musical and dramatic organizations, etc.

A cooperative association which reaches a high stage of development may have full control of the employees' lunch room, library, and health department; may be entirely responsible for the publication of the store paper; may install and manage a cooperative grocery store; and may, by virtue of powers delegated by the store management, determine to a very great extent the rules and policies which govern their own employment. This is actually being accomplished in some stores.

Although such policy may seem an extreme development of industrial democracy, yet the demand of labor for self-expression and self-determination seems to point to some such program in the future. That the initiative and leadership developed by democratic organizations of employees reacts to the benefit of the business is the testimony of firms who have tried out this experiment fully. The employees work with a sense of equality, justice, and freedom, which creates a spirit of true cooperation.

Employees' Lunch Rooms.—An orderly, attractive, clean, light, well-ventilated lunch room, in which employees may lunch in comfort and with pleasure, is one of the definite obligations of a merchant to his store family. Few store lunch rooms are of a standard which the manager would consider satisfactory for himself and, in planning improvements, it is sometimes helpful to study the existing situation from this personal standpoint.

The Lord and Taylor employees' cafeteria on the roof of their store is in charge of a professional dietitian. The employees pay for their lunch on an *à la carte* system. To a great extent this nullifies the advantage of the trained dietitian, since it has been found by experience that very few employees will choose of their own accord a properly balanced meal.

Most stores serve food either at cost or at a slight loss. The lunch room of the L. S. Ayres Company of Indianapolis is operated under the control of the employees and has not only been self-supporting but has paid a fair rate of return on the capital invested. A properly managed lunch room should be maintained with the purpose of serving food as near cost as possible, endeavoring constantly, however, to reduce the cost but never the quality.

Managements should realize that to a large extent the best meal of the day is procured by the employees at the noon hour, and too much care and thought cannot be put into the selection as to quality of foodstuffs served.

Recreation Rooms, Libraries, Etc.—A recreation room with a piano should be located, if possible, near the lunch room. Under recreation rooms might be mentioned the phonograph. It is, in many instances, more desirable than the piano. A like popularity for the radio might be predicted. There should be another room, provided with books and magazines, for those who wish to spend the lunch hour quietly. The Jordan Marsh Company has set aside an entire floor for employees, which contains an auditorium, the women's rest room, the women's silence room, the library, the men's rest room, the men's smoking room, the boys' room, the cafeteria and the restaurant.

Libraries range in size from the circulating library maintained by Marshall Field and Company which gives out six to seven thousand volumes monthly, to small book racks for occasional reading.

In the summer a roof garden with awnings, flower boxes and comfortable benches is a source of much enjoyment.

Voluntary clubs and classes of many kinds meeting after hours are arranged by welfare departments of some stores. Suppers and entertainments bring people together in a friendly way and make for store spirit.

The Store Paper.—Under proper management, a store paper is a unifying factor of great value. As it is difficult for anyone employed in another capacity to give the necessary time to editing a paper, it is usually advisable to hire someone specially fitted to do this work. Such a person is frequently considered a member of the advertising department or of the welfare department and assists with the other work of either of these divisions. The development of the store paper, however, has been so marked that expert knowledge of store paper technique is highly desirable.

In some stores the paper is furnished free to all employees, while the management of others, believing that people value an object more if they pay for it, charge a nominal sum. A charge of five or ten cents is not too high for a monthly publication, while one or two cents will suffice for weeklies.

The conduct of the paper should be left in the hands of the employees as far as possible, with only slight supervision. The employees should be made to feel that it is their publication, and that their personal interest in it is their sole incentive for purchasing it.

The way in which the store paper copy is handled will have a great deal to do with successful results. There was once a time when copy of an inspirational nature emanating from the management was greatly in predominance. This policy has been succeeded by one laying emphasis of store news, well illustrated. As one authority says:

If such journals, which are first, foremost and last for home consumption, fail to give their readers the impression that they are alive to, and keeping up with, and even a little ahead of the course

of store events, that touch them intimately, they sooner or later earn from their public only a contemptuous toleration. If, on the other hand, they can supply the news that interests their people, while it is hot, they make themselves a real factor in their lives.

The ordinary method of gathering news is to appoint a reportorial force among the employees, one member being designated for each department or floor, or office. Ideas can frequently be obtained by a careful study of other store papers. Announcements by the management naturally find wide publicity through this medium.

SECTION VII

SPECIAL SERVICE

CHAPTER XXXVII

SERVICE TO CUSTOMERS

There was once a time in the history of retailing when almost the sole attraction held out by the various merchants was "something different" in merchandise for sale. Competition and careful comparison shopping eventually reduced this argument to a question of which store had the better publicity, since there was little to choose between merchandise sold at the same price levels. Stores then turned to service as a means of attracting customers, having finally realized that customers will go where conditions are most pleasant, where time and energy may be saved, where salespeople are courteous, etc.

Services may be roughly divided into services which actually assist the customer and those which are used solely as a means of attracting people to the store. The importance of the former is not questioned; the use of the latter must be decided by store policy.

Store service as we know it today is the result of several factors working conjointly:

1. An adaptation to the needs and wishes of the buying public, as evidenced by the services offered by other stores.
2. An endeavor to create an institutional idea in the mind of the public as an incentive to purchase merchandise at a particular store.
3. A recognition of the sound principle of retailing that speed, accuracy, courtesy, convenience, comfort, etc., make it easier to sell the customer.
4. An attempt to humanize the relations of store and customer, and to approximate, in so far as possible, the intimate relations existing in small stores and specialty shops.

If a customer likes to shop in a particular store, it means that the service idea behind that store is laid on sound founda-

tions. Material factors, important as they prove to be in many cases, are only assistants in the service idea. The main factor is the individual and combined cooperation of the personnel.

The ultimate arbiter of what services shall be rendered is the public. If it desires to pay for service, and in many cases, such as deliveries and credits, such desires have been unmistakably evidenced, the trend towards giving more service will increase. But the cost of merchandise sold must inevitably increase as well.

It seems well established that there is a class of customer which is willing to pay for maximum convenience. There is also a class of customer which prefers to omit the services and pocket the difference in cost. It is difficult for a store to serve both clienteles.

Proper Direction of Customers.—Directing customers correctly and expeditiously is a service which is definitely reflected in sales made by the store. Location of goods for sale is made public in various ways:

1. The store directory. By placing the store directory near the elevators, at main entrances, and other prominent places, customers who dislike asking questions can find out for themselves. It is customary to arrange departments alphabetically on the directory, although some stores arrange departments according to the floor. Still other stores group various lines together on the directory. The important thing is to have the directory intelligible and serviceable.

2. Salespeople, floor superintendents, etc. Ordinarily all salespeople are supposed to be responsible for knowledge of position of regular departments. It is impossible in a large store to keep track of special sales and temporary shifts to bargain tables. Consequently, many stores make it part of their policy to send proofs of advertisements to each department, so that knowledge of merchandise may be kept up to date. Salespeople, in addition to matters involving the location of merchandise, frequently have to answer a great many general questions. Even though the answer cannot be supplied, it is important to impress upon the salesperson the necessity of courteous attention.

3. Signs, arrows, etc. Guide signs are frequently serviceable in guiding customers to out-of-the-way places. Placing aisle numbers and names of departments on pillars or walls is frequently valuable.

4. Advertisements. It is customary to give location of merchandise in the advertisements themselves. This is particularly important when the merchandise has been shifted from its regular position.

5. Elevator operators. All elevator operators must be able to give information concerning location of merchandise.

6. The information desk. All stores have, or should have, an information desk with directories, timetables, maps, amusement schedules, etc. One store has made a point of placing several young women at different places on the main floor, identified by being dressed all in white and wearing a badge marked "information."

Some stores furnish salespeople with a store directory, listed by articles, which fits inside the salesbook.

Samples.—The giving of samples in many cases is the source of a great amount of wastage in piece-goods departments. Most stores usually handle this matter by cutting a strip of cloth about two inches wide and inserting this strip between the last fold of the cloth and the board on which it is wound, leaving a small end of this sample visible so that the salesman may easily find it and cut off a sample when requested to do so by the customer.

In some stores the salesman also places an ordinary pin ticket on the sample and places on this ticket the price of the merchandise per yard. This is the simplest way of handling the problem.

Another method, which may be satisfactory in certain organizations, is the cutting of a strip similar to that above described, and making it into samples, of sufficient length and width. These pieces can be inserted in a strong envelope with a piece of the cloth pasted on the outside, also the retail price, and any additional information which may be desired. These envelopes, if carefully kept in a convenient place underneath the counter, can be readily accessible to the salesman. This system works well where the piece-goods department is

not so large as to make it unduly cumbersome. Salespeople should be required to cut samples as small as consistent with the character of the goods. Most samples are at least twice as large as necessary.

It is always necessary to guard against the shopper who obtains samples from all stores merely for the sake of comparison. Some stores maintain a rigid policy of giving no samples at all. Others discourage the practice as much as possible. In general, sample giving is regarded as a necessary evil.

Samples have been made of paper in some cases for consumer distribution, and are frequently used by manufacturers for distribution to jobbers and dealers. It is possible paper samples may find greater favor in the future.

C.O.D. Sales.—The C.O.D. sale is generally regarded as a service to the customer. In most stores the practice is not encouraged. To formulate a plan or system of handling C.O.D.'s which would be uniform and applicable to every department store seems to be impossible on account of different prevailing conditions. There are certain features of all systems, however, which can be universally applied. A large store will usually require a C.O.D. register clerk and a C.O.D. cashier, while in a small store these two functions can be combined and handled by one person along with other work.

All C.O.D. sales should be registered as soon as they are made by a clerk who is under the supervision of the accounting department. This registration may be made over the carrier or telephone system. The registration clerk records the sale in a duplicate C.O.D. register (see Fig. 110), noting therein the name of the C.O.D. customer, the amount of sale, and the method of delivery. The original and duplicate of the salescheck is then stamped with a consecutive C.O.D. number, by which the transaction may be followed through all subsequent steps of delivery.

The duplicate of the C.O.D. sales check is returned to the inspector or bundle wrapper as soon as given the consecutive number. The duplicate is then pasted on the C.O.D.

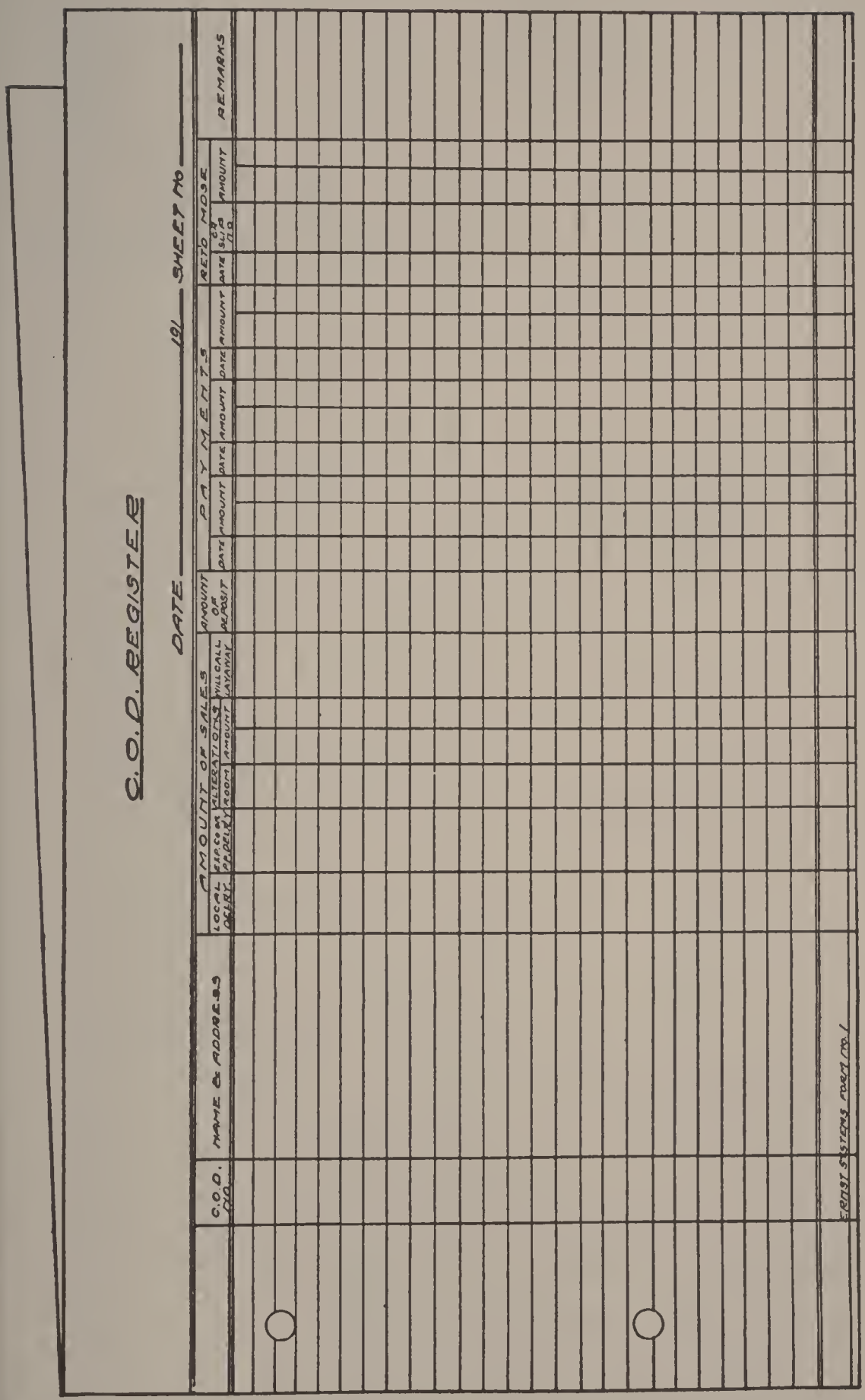


FIG. 110.—C.O.D. register.

delivery tag, Fig. 111, which must be attached to the package before it goes to the delivery department.

In the delivery department the C.O.D. trip sheet, see Fig. 112, gives information as to salesperson's number, name and

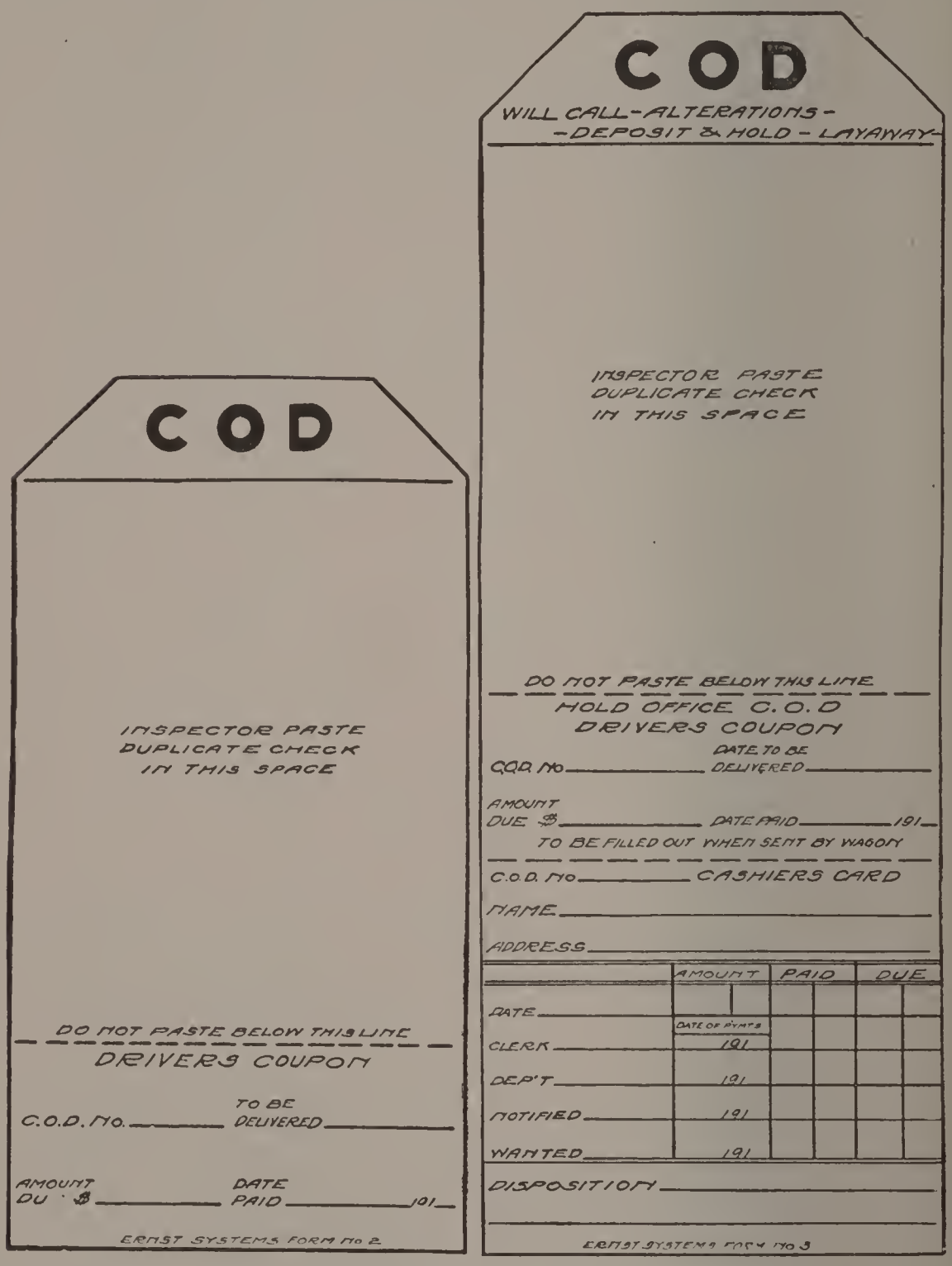
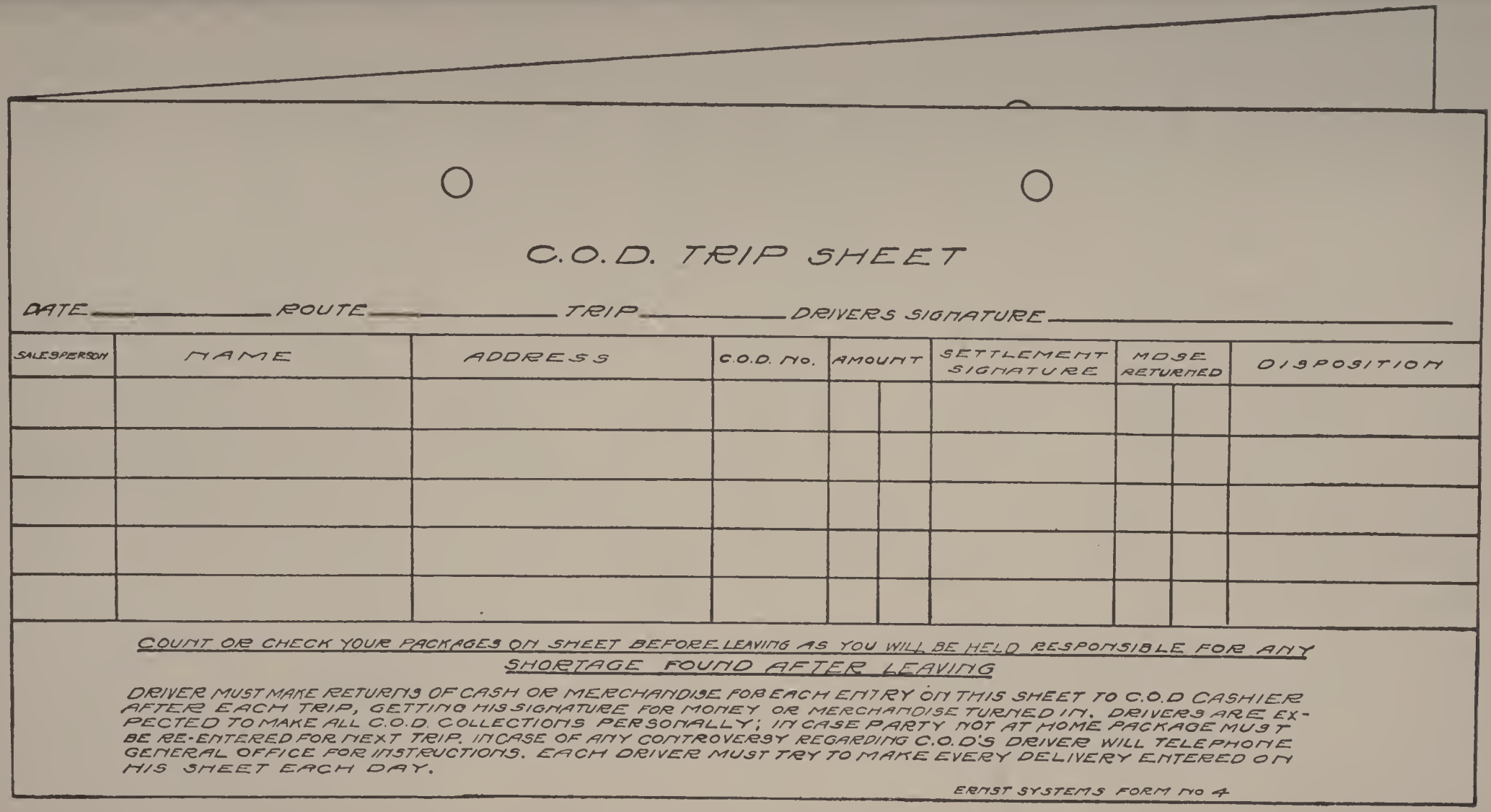


FIG. 111.—Specimen of C.O.D. tag.

address of customer, C.O.D. number, amount, settlement signature, merchandise returned, and disposition. Trip sheets are made in duplicate, one copy being kept by the delivery department while deliveries are being made.



C.O.D. TRIP SHEET

DATE _____ ROUTE _____ TRIP _____ DRIVERS SIGNATURE _____

SALESPERSON	NAME	ADDRESS	C.O.D. No.	AMOUNT		SETTLEMENT SIGNATURE	MDSE RETURNED		DISPOSITION

COUNT OR CHECK YOUR PACKAGES ON SHEET BEFORE LEAVING AS YOU WILL BE HELD RESPONSIBLE FOR ANY SHORTAGE FOUND AFTER LEAVING

DRIVER MUST MAKE RETURNS OF CASH OR MERCHANDISE FOR EACH ENTRY ON THIS SHEET TO C.O.D CASHIER AFTER EACH TRIP, GETTING HIS SIGNATURE FOR MONEY OR MERCHANDISE TURNED IN. DRIVERS ARE EXPECTED TO MAKE ALL C.O.D. COLLECTIONS PERSONALLY; IN CASE PARTY NOT AT HOME PACKAGE MUST BE RE-ENTERED FOR NEXT TRIP. IN CASE OF ANY CONTROVERSY REGARDING C.O.D'S DRIVER WILL TELEPHONE GENERAL OFFICE FOR INSTRUCTIONS. EACH DRIVER MUST TRY TO MAKE EVERY DELIVERY ENTERED ON HIS SHEET EACH DAY.

ERNST SYSTEMS FORM NO 4

FIG. 112.—C.O.D. trip sheet.

From the trip sheets the C.O.D. cashier is enabled to check up all of the C.O.D. sales with the entries on the C.O.D. register.

Figure 113 shows a chart of the routine of handling C.O.D. accounts.

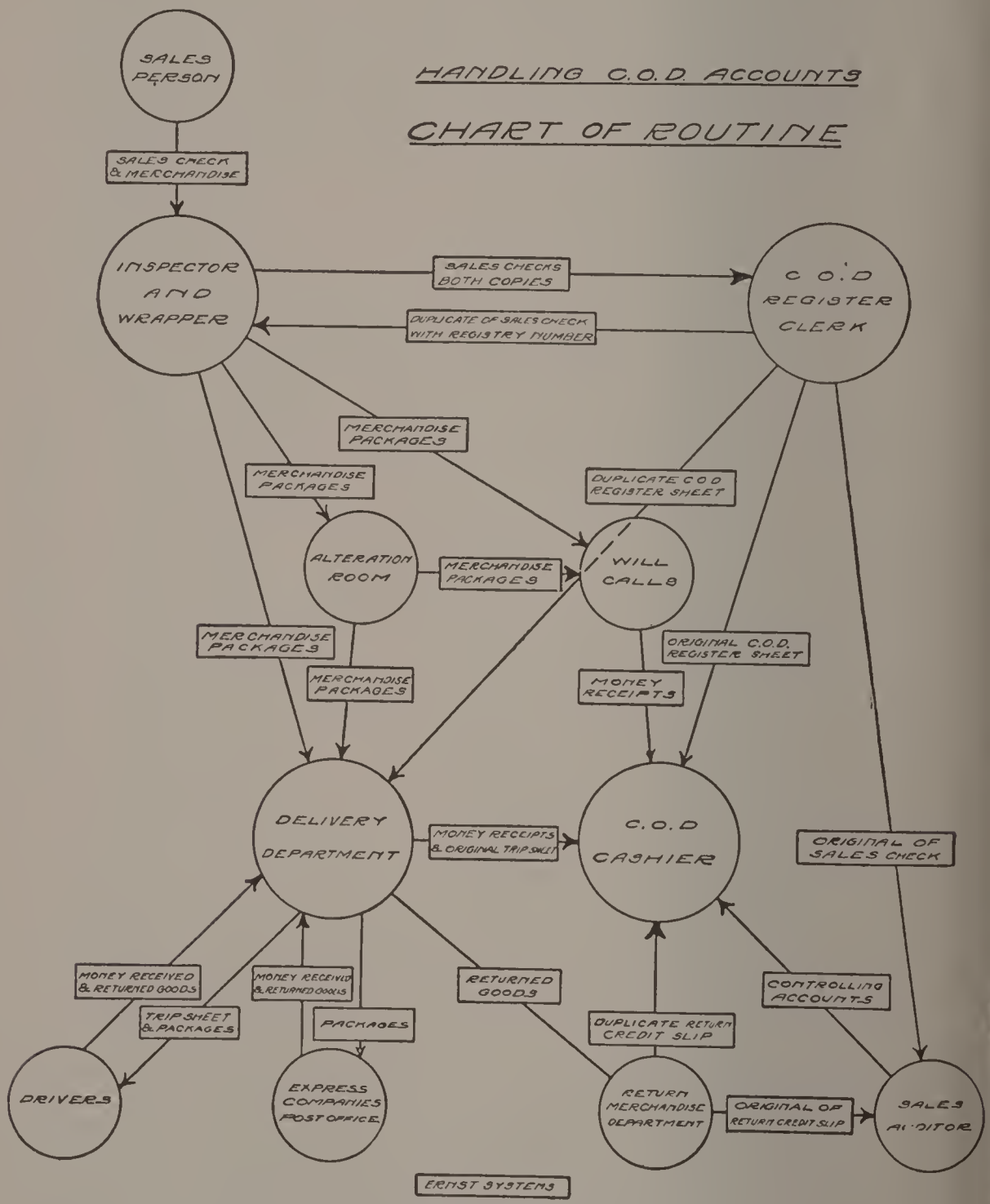


FIG. 113.—Routine of C.O.D. accounts.

An effective way of decreasing the amount of merchandise sent C.O.D., thus restricting the abuse of this privilege, is to require a deposit on all C.O.D. Sales. In Boston the member stores of the Retail Trade Board have agreed to this

regulation, thus reducing largely the number of C.O.D.'s. Merchandise may be sent straight C.O.D. only when the transaction, in the judgment of the floor superintendent, is a bona fide purchase.

Either a "Part Paid C.O.D. Sale" or two sales, one for the cash payment and the second for the balance to be paid on delivery, is used to cover the system for the deposit transaction.

Will-calls and Layaways.—The layaway or will-call purchase (purchases made but left to be called for) involves more trouble than any other form of sale. While not generally popular in the East, they are much in demand on the Pacific Coast, so much so that stores in Los Angeles have had to discourage them as being unprofitable to the stores.

Will-call systems in many organizations take the place of an installment business, as they enable persons in very modest circumstances to pay for the merchandise a little at a time. It is distinguished from the installment plan in that the customer does not have the use of the merchandise until payments are completed. Some stores look upon such sales as a distinct addition to their business, having found that those who make use of such a plan are maids, low-wage factory girls, or the wives of low-salaried husbands whose rating naturally does not permit of charge accounts, and who are seldom able to purchase outright even the inexpensive garments they desire.

In installing a system of this kind the salespeople should be carefully instructed to recommend part-payment only as a last resort to close a sale. Often a customer will remark her inability to pay the price asked for a garment she desires, or that she has not the money with her. It is under such circumstances that the will-call form of sale is justifiable.

The first payment is the most important, and should be large enough to hold the customer's interest, and assure the final payment. One-third of the purchase price is the ordinary form of deposit.

The following system is used with success in one store: When a customer selects a garment to be paid for on this policy, the salesperson makes out the sales slip in duplicate,

exactly as for a charge sale. The customer's name, address, final date for delivery of the garment, its price, the amount paid, and the balance due are noted. At the bottom of the sales slip the salesperson writes simply "C.O.D. Hold" and makes out another sales slip for the cash received, entering on her salesbook in the cash column the amount paid and in the charge column the amount of the balance due.

The "charge" duplicate goes to customer as a receipt. The original sales slip, cash, etc., are sent along with the garment to the wrapping desk where it is held for final payment and delivery.

If there are alterations to be made they are carefully noted on a ticket and attached to the garment. The alterations are to be made only when the full price has been received.

When the sales slips for the day are sent to the bookkeeper, she enters all "C.O.D. Hold" sales in a separate ledger, simply charging the item and crediting against it the amount of the first deposit thereon. When the customer wishes to make additional payments she is sent to this bookkeeper's desk, where she is credited with the amount she then pays and for which a formal receipt is issued. When final payment is made this office notifies the wrapping department by a printed form (with the customer's name, address and details as to the garment, etc., filled in) and prompt delivery is made.

After the sale is made the salesperson has nothing further whatever to do with the transaction. It is handled by the office, as explained.

This store states they have never lost, or had stolen, a single package since this system was installed.

Transfers.—While the transfer card is primarily a service to the customer it may be made profitable to the store, if properly installed. For example, if a system is used which requires writing the customer's name four or five times, and wrapping each bundle separately, it is obviously a drawback to the store to have transfer sales. As a matter of fact the transfer system ought to offer opportunity for saving in packing since all but the bulky articles may be wrapped together. The service to the customer lies in the great speed obtainable,

and the fact that payment can be made for everything at one time.

From a store's point of view it is not necessary to make out a separate salescheck for every purchase, while delivery is made at one time and by one process.

The system used by Lord and Taylor as herewith described has proved successful in operation. In a paid and sent sale the clerk uses the regular salescheck made out in the ordinary way without entering the customer's name or address on the address label. She merely writes the transfer card number upon it. See Fig. 114. The sale is entered on the right side of the card and a sticker detached, the card being returned to the customer.

The sticker is affixed to the duplicate check on the sales-clerk's part, the wrapper's part being left unpasted. The wrapper pastes her part of the sticker on the package, which is then sent to the delivery department through regular channels and held to await the arrival of the card.

The original check is sent to the transfer desk by a messenger, and compared with card and totaled. The customer is given voucher at lower left-hand corner of the card, stamped by cashier, when she pays for merchandise. The card with all checks is sent to the delivery department, and if all goods are found correct, they are packed and sent.

If the customer wishes to take merchandise with her, a messenger takes parcels to the transfer desk where they are packed.

In case of a charge-send sale, merchandise is wrapped and sent to the delivery department with the entire check where items are sorted and held until the arrival of the card.

In all cases the customer surrenders the transfer card upon finishing her shopping and receives in return the customer's voucher. This serves as identification in case any complaint is made.

Transfer or shopping cards have recently been discontinued by some stores.

Personal Shopping Service.—During the last few years the development of personal shopping bureaus in department stores has increased considerably. One of the most talked

of departments of the kind is that conducted by William Taylor Son and Company, of Cleveland, which is known as the "Anne Sawyer Personal Shopping Service." The Taylor store features "Anne Sawyer" in much of its daily advertising.

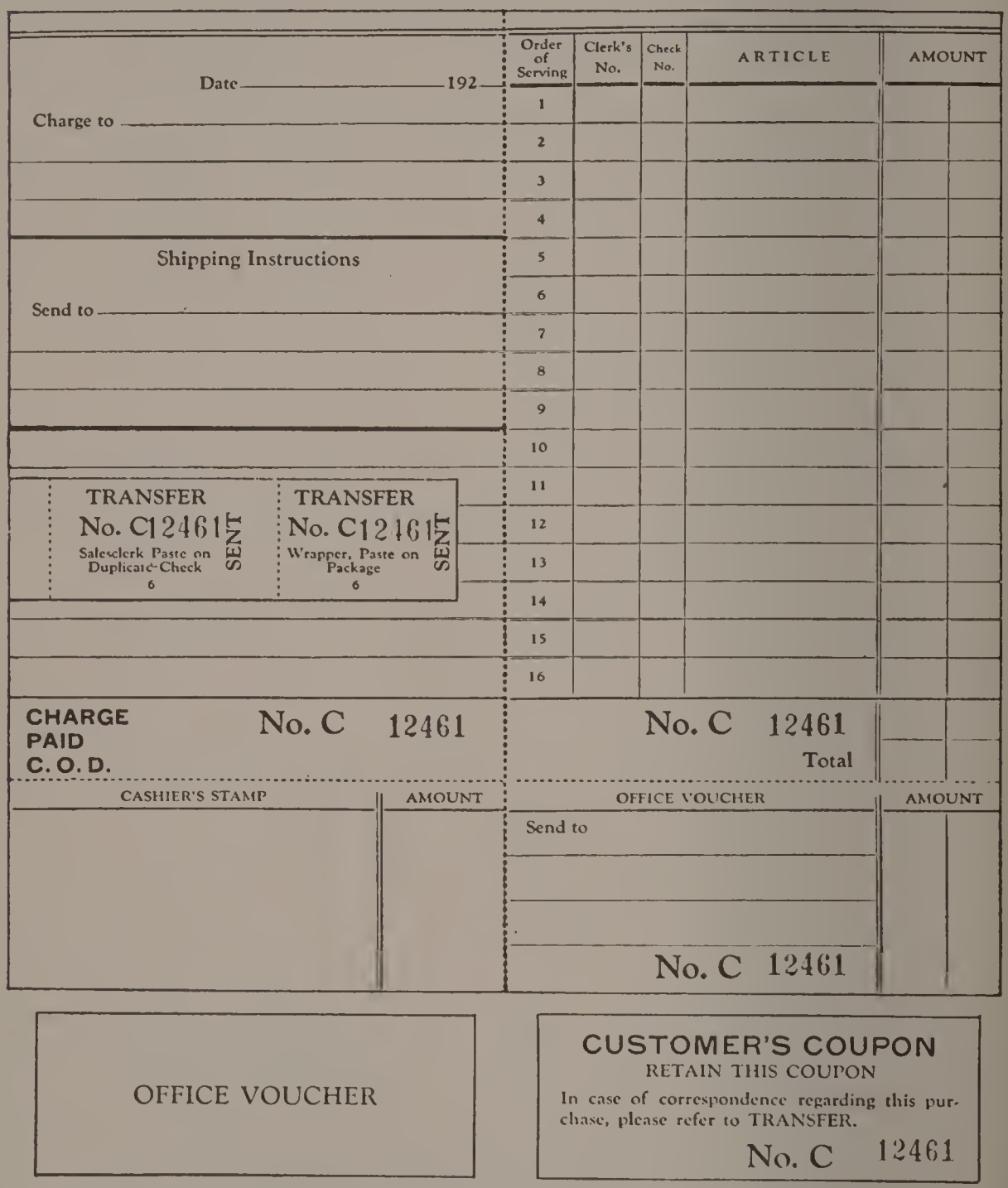


FIG. 114.—Transfer ticket form.

In giving the department some name such as Anne Sawyer, the customer is made to feel that it is an actual personal service. At the same time it is a good advertising feature, as such a name can be remembered easily.

The Bon Marche, Seattle, Washington, operates the personal service department under the name of the woman in charge,

Frances Grant Heverlo. It was originally formed to help the customer to buy, a need especially evident among women lacking knowledge of home building. Later mail order work was added.

The Jordan Marsh Company, of Boston, has a successful personal shopping department operating under the name of "Bureau of Individual Attention." The name of the person in charge, Jane Williams, is used in advertising.

An interesting development in shopping service has been profitable in some cases in catering to the foreign speaking customer. Such a service will depend on local conditions. R. H. Macy and Company has developed a considerable trade with wealthy South Americans and Cubans in this way.

Furnishing Information.—A usual form of service in the personal service bureau is the furnishing of information on points of interest in the city. A number of stores have had special booklets prepared outlining points of interest in the city and directions on how to reach them. This carried considerable advertising value to out-of-town customers of the store.

The securing of necessary hotel accommodations, arranging for railway tickets, etc., are also taken care of by many personal service bureaus.

A free checking service for visitors is maintained by every store of size in the country.

Treatment of Children in Store.—To help mothers who cannot leave their children at home, and who prefer not to take them through the store, one store has started a moving picture show where youngsters may be left while the mothers are doing their shopping.

Another store has certain sections set aside for caring for children, and the space of this room is filled with sand. A low, light fence is placed around it. Little tin buckets and shovels are furnished so children can have all the necessary implements while they are at play. Needless to say, the children always insist on going to the store with the sand pile.

A barber shop for children can often be made a desirable feature for the store, especially when such a department can be made attractive to the children. The child who is accom-

panied by his mother to a children's barber shop forms in his early years an attraction for that particular shop which persists with the child when grown older.

A children's barber shop should be decorated with fixtures pleasing to the child. In fact, the whole atmosphere of the place should be that of a play room. A favorite plan is to have the chairs in the shape of hobby horses, which are raised or lowered on regulation hydraulic bases.

Some stores run a department of this kind without making any profit on it, as one of the service features of the store. Generally this department is leased. All fixtures, except movable chairs, tools, etc., are furnished by the store. The barber furnishes chairs, tools, and accessories. The store supplies light, heat, and in some cases cashier and porter service. In return the barber gives 20 per cent of the receipts. In some cases he reimburses the store at the rate of 6 per cent per year for the store's investment in fitting out the quarters for use as a barber shop.

A beauty parlor run in conjunction with the children's barber shop may be made a good service feature in the store. Such parlors usually pay 15 per cent of their receipts to the store.

Restaurants, Rest Rooms, Etc.—Unquestionably the secret of having a first class restaurant or tea room is having the proper person at the head of it. This means more than a mere knowledge of culinary arts. It entails executive ability and a pleasing personality.

Naturally, the pretentiousness of the restaurant or tea room service will depend a great deal on the size of the store. L. Bamberger and Company, of Newark, employ about thirty-four people in their general kitchen and about ninety in the dining room. Their method of operating or merchandising is, in general, to provide better food than is served in restaurants of the same class at a smaller charge to the customer. A large profit to them is a secondary consideration.

The rest room is a part of all department store service plans, the difference lying in the pretentiousness of the fixtures and facilities furnished, such as writing materials, telephones, etc.

Some stores have circulating libraries operated as a leased department.

Many stores have sub-postal stations, but in many cases they are operated at a loss, and in the opinion of many stores the public does not appreciate this service sufficiently to justify the cost.

Special Services.—In addition to the many types of services already enumerated, there are many services for use on special occasions or peculiar to a particular store.

Several stores give musical concerts during anniversaries and at other times when it is felt desirable. Some stores have personally conducted tours of the store as a means of eliciting interest.

The so-called "Gift Granny" idea, which helps people to find out what their friends would like at gift times, has attained success in some sections. Given the name of the person to whom it is desired to present a gift, the Gift Granny writes a letter to that person requesting a list of articles desired as Christmas presents, and asking for color, size and general description.

One large Eastern store installed a special evening telephone service, through which orders are received until 9 o'clock. This permits taking advantage of advertisements appearing in the evening papers. Gimbel's, in their New York store, and also R. H. Macy and Company, have a special order department in the lobby of the store where orders may be received before the opening hour to accommodate office workers who cannot shop during the day and who have time to do so on their way to business.

Classes in embroidery, knitting, or any particular fad such as lamp-shade making, weaving or beading, are often used as a means of attracting trade.

CHAPTER XXXVIII

RELATIONS WITH CUSTOMERS

Good will, which is conceded to be one of the store's greatest assets, is dependent largely upon the nature of the store's relations with its customers. During the course of every day, many occasions arise when the customer and the store are at issue due to questions of policy, conduct of salespeople, mistakes in credit, wrong delivery, etc. It is the manner in which these points of complaint are adjusted which will decide the opinion of many customers in regard to the store.

The Adjustment of Complaints.—That the customer is always right, is a sentiment originally attributed to Marshall Field and adopted with various degrees of unanimity by the department stores of the country. Many complaints are entirely justified, and these may be settled expeditiously without argument. Many others, however, are regarded by the store as unreasonable. It is at this point that the policy of the store in regard to complaints becomes effective.

While it is best to consider the customer's viewpoint in all cases, there are some occasions when the complaint of the customer is so plainly unwarranted that compliance must be refused. There are other cases, notably in regard to merchandise desired to be returned, where the rules forbid such action.

One of the most frequent complaints in regard to merchandise concerns the color. It is a well-known fact that sunfast dyes are the exception rather than the rule. The responsibility for accurate representation of the facts in regard to the merchandise rests on the shoulders of the salespeople. Freedom from misrepresentation will eliminate one of the most frequent sources of complaints.

The Adjustment Department.—The duties of the adjustment department are threefold:

1. To handle the customer in such a way that from a potential enemy she is made a friend. The mere fact that a customer is prepared to make a complaint indicates dissatisfaction. Postponement or delay in the adjustment of a complaint is likely to breed further trouble.

2. To see that all just claims are settled in full without argument, and to see that all other claims are explained to the customer's satisfaction. In other words, the shopper must be convinced that the right decision has been reached.

3. To see that the mistake does not happen again, if this is in any way possible. Tabulating complaints usually gives some instructive results.

Tactful treatment of customers with complaints is a fundamental. For this reason the adjustment of complaints by heads of departments is to be discouraged, since knowledge of merchandise does not in any way imply a knowledge of handling people. It is better to have an adjustment department in charge of a person able to extend sympathy under difficult circumstances. It is well to remember that what is done should be done graciously. To grant a customer's request and at the same time show a grudging or offensive spirit is to waste whatever the concession costs the store. Graciousness doubles the effect of the granted concession.

Location of Office.—An important factor in the location of the adjustment office is that it should be in a position easily accessible to the public. In several of the New York stores the bureau of adjustment is located on the balcony of the main floor. This latter position seems to be an ideal place.

It is not desirable to use the word "complaint" in connection with such an office, but rather to designate it as a bureau of merchandise, or credit adjustment.

Combining the adjustment of credit and merchandise complaints is handled in various ways. Most stores handle their credit complaints directly in their credit department, where records are easily accessible. Credit complaints can be more intelligently handled by the credit manager or assistant credit manager than can be done in the regular adjustment department. If there are more credit complaints than merchandise

complaints, it might be well to locate both departments in close proximity.

Telephone Complaints.—In many cases complaints are received over the telephone. The best method of handling such complaints is to have a universal rule made in all department that when any employee receives a complaint over the telephone he or she immediately connects the person making the complaint with the bureau of adjustment. If it is not possible for the bureau of adjustment to settle the matter over the telephone at that time, a memorandum should be made by this department and the matter referred to the proper department for settlement. The bureau of adjustment should keep a follow-up on all these memorandums and see that they are promptly attended to.

In stores where no bureau of adjustment exists, telephone complaints should be referred to the superintendent's office. The superintendent should have a member of his staff make a memorandum of these complaints and then turn them over to the proper individual in the store for settlement. This person should check memorandums daily and see that complaints are promptly attended to and that customers are notified.

By installing either of the above systems it is possible to do away with customers making complaints directly to departments, and then having the persons in these particular departments forget or neglect to attend to them, thereby causing much annoyance to the customer and loss of good will to the store.

Central Adjustment Committees.—The study of complaints in certain departments invariably reveals certain causes. By comparing the complaints in a number of stores the results are made more authentic. The action of the Retail Trade Board of the Boston Chamber of Commerce in attempting to form definite policies of adjustment from collective data is important as a step towards forming a standard by which to judge complaints by customers.

Hosiery, gloves and shoes are said to be first in number of cases requiring adjustment. A statistical report was made by each store showing the number and type of problems en-

countered in the course of hosiery adjustment during the month. The information was charted under the following headings:

Heel
Toe
Friction wear
Instep
Hose supporter wear
Tight skirts
Runs
Other causes.

A booklet was then prepared to be placed in the package with each purchase of hosiery describing the right and wrong methods of putting on and removing stockings, fastening supporters, washing, etc.

The Abraham and Straus Plan.—Methods of adjustment differ in various stores but it is possible to obtain valuable suggestions from a plan such as the following, described by C. Dudleigh Roberts, manager of the adjustment department of Abraham and Straus, of Brooklyn.

The store has a personal representative on each floor, located in the offices of the floor superintendents. Merchandise adjustments are taken up with the heads of stock and buyers. Complaints of delayed delivery, shortages, etc., may be given to the aisle men, who will record and forward them for investigation.

The adjuster is appealed to for a decision when a customer desires to return merchandise that has been in her possession more than seven days, or without a salescheck, or when she has been under-credited on a return of merchandise, or if she wishes to register a tracer on merchandise which has been delayed in delivery.

The chief aim of the adjustment department is to make a thorough analysis of the cause of the complaint on what is called an "analysis of adjustment" sheet. This sheet has six general heads: Delivery, merchandise, auditing, adjustments, miscellaneous, totals.

The general heads are subdivided into twenty divisions as, for example: Non-delivery, wrong merchandise, damaged mer-

chandising, shortages, bookkeeping errors, merchandise sent C.O.D. instead of charge, wrong charge in store, etc.

The totals column gives comparison of total adjustments for each department with that of the previous week. Weekly reports give in detail the adjustment number, the article in question, the cause of complaint and who or what is responsible for the complaint.

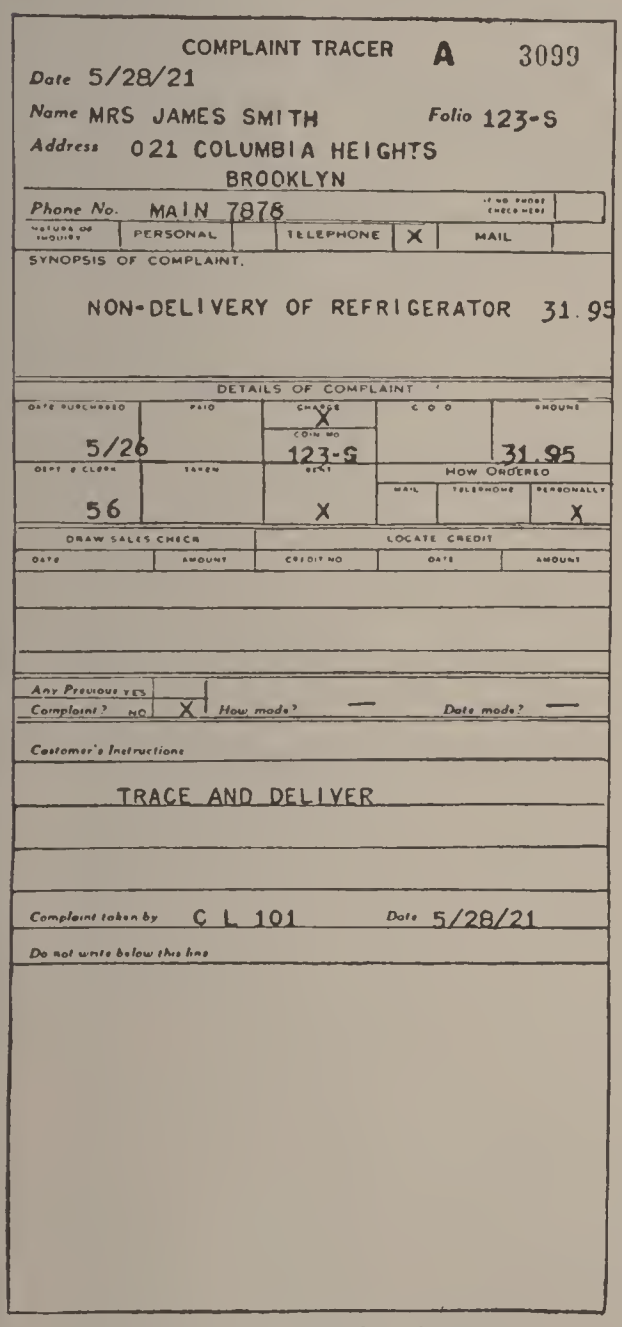
Four copies of this report are made out: one for the personnel department; one to the buyer of the department, one to the executive of the department of supervision, and one for the records of the adjustment department. The recipients of the reports must take action to remove or remedy the causes of complaint.

Figure 115 shows the form of complaint tracer used to record information in regard to non-delivery of merchandise. The back of this tracer provides a place for recording every step necessary to be taken during the investigation. The two upper stubs on the complaint tracer are used for registration and control of the progress of the complaint towards adjustment. The bottom or "analysis stub" is filled out when the adjustment is made, and from this the detailed weekly reports are made out.

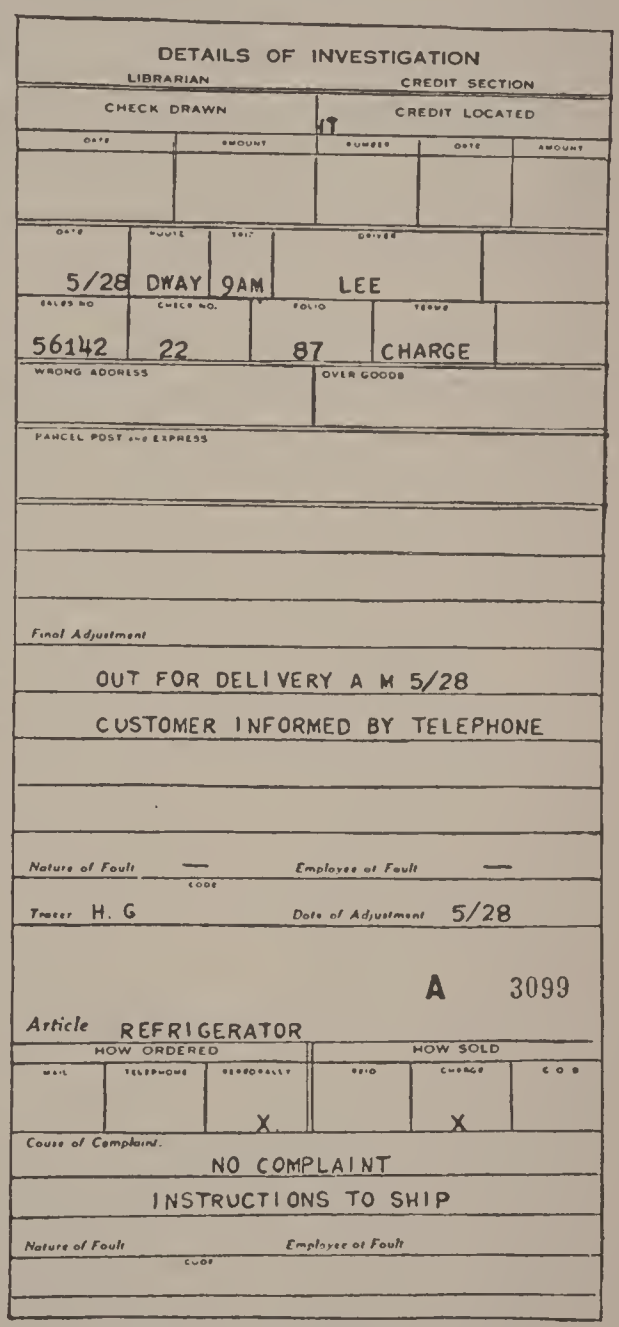
The Wanamaker Adjustment Bureau.—Wanamaker's, New York, has found that the largest proportion of complaints is caused by non-delivery of merchandise or delay in receipt by customers. Fifty per cent of the complaints received by its adjustment department is due to this cause. Thirty-seven per cent is due to merchandise being found unsatisfactory by the customer. Cancellation of orders, merchandise short or incorrectly charged, and goods delivered in error, are much less important in number.

The Wanamaker Bureau of Adjustment uses some twenty form letters in settling complaints with customers. Complete record of all complaints is kept in a large size entry book, on each page of which are listed from left to right the name and address of the customer, the nature of the complaint, name of tracer, date of settlement, final disposition of the case, amount of the merchandise, cause of the trouble and space for additional remarks.

Approvals.—Practically all stores today are trying to discourage the selling of merchandise on approval. In fact, many organizations have made a definite rule that no merchandise can leave their store on approval. Many stores limit approval sales to charge customers only, while other


COMPLAINT TRACER A 3099
Date 5/28/21
Name MRS JAMES SMITH Folio 123-S
Address 021 COLUMBIA HEIGHTS
BROOKLYN
Phone No. MAIN 7878
PERSONAL | TELEPHONE X | MAIL
SYNOPSIS OF COMPLAINT.
NON-DELIVERY OF REFRIGERATOR 31.95
DETAILS OF COMPLAINT
5/26 | X | 123-S | 31.95
56 | X
DRAW SALES CHECK | LOCATE CREDIT
Any Previous Complaint? NO X How made? — Date made? —
Customer's Instructions
TRACE AND DELIVER
Complaint taken by C L 101 Date 5/28/21
Do not write below this line

Face of Complaint Tracer


DETAILS OF INVESTIGATION
LIBRARIAN CREDIT SECTION
CHECK DRAWN | CREDIT LOCATED
5/28 DWAY 9AM LEE
56142 22 87 CHARGE
WRONG ADDRESS | OVER GOODS
PARCEL POST and EXPRESS
Final Adjustment
OUT FOR DELIVERY A M 5/28
CUSTOMER INFORMED BY TELEPHONE
Nature of Fault — Employee at Fault —
Tracer H. G Date of Adjustment 5/28
A 3099
Article REFRIGERATOR
HOW ORDERED | HOW SOLD
X | X
Cause of Complaint.
NO COMPLAINT
INSTRUCTIONS TO SHIP
Nature of Fault Employee at Fault

Reverse of Complaint Tracer

(*Abraham and Straus.*)

FIG. 115.—Form of complaint tracer showing both front and back.

concerns allow merchandise to be sold on approval in certain departments only, such as rugs, furniture, and upholstery goods.

In connection with merchandise sold on approval, the salesperson is required to make out a memorandum salescheck and have this approved by the department manager. This

check is authorized in the same manner as a regular charge transaction in order to find out the financial responsibility of the customer. The sale is then posted upon a memorandum ledger, and this ledger is balanced every month. If the merchandise is returned, a memorandum credit slip is made out and the credit is handled in the same manner as the credit of any ordinary cash sale.

When the merchandise is sold, the salesperson and the customer usually come to some agreement as to how long merchandise may be kept out on approval. This time usually runs from two to three days.

Returned Goods.—The matter of handling return of merchandise is one to which every retailer must give careful thought and consideration. While on the one hand, he must protect himself, on the other hand he must deal with the customer tactfully and with discretion.

When a customer enters the store to return an article or to make a complaint in regard to it, she naturally proceeds at once to the department and to the salesperson who sold the merchandise to her. The salesperson should treat the customer courteously and immediately refer the case to the store superintendent, buyer, or section manager. If the merchandise is in as good condition as when sold, and the customer wishes another article in the same department, the floor superintendent should have the authority to allow the exchange to go through with as little loss of time to the customer as possible.

However, if the claim is considered unjust for any reason, the customer should be courteously directed to the adjustment bureau. If it is evident that the adjustment will not terminate satisfactorily to the customer and she is a charge customer, it is well to send for the credit manager to take part in the consultation.

Since the loss of one customer may create a bad impression and cause the store much harm, it is necessary to treat all cases in a most tactful manner. Everything possible should be done to show the customer that the fault is not with the merchandise nor with the store service. If the customer categorically insists upon an adjustment, and if the store considers the customer's patronage is worth while keeping, and

the loss is small, it is usually worth while to make the adjustment and retain the good will of the customer.

According to George Waterford, Credit Manager of Best and Company, there are five distinct objectionable practices employed by customers in returning merchandise:

1. The customer who orders an expensive dress or wrap sent "special" with the intention of wearing it at some important function. The next day a request is sent that the article be called for on the grounds that the husband did not care for it, or that she would like to make another selection.

2. The customer who is out shopping with a friend upon whom she desires to make an impression, orders merchandise charged and sent to her home without having the slightest intention of keeping it.

3. The customer who orders expensive articles of wearing apparel sent to her house, where she has her own dressmaker copy the design. When that is completed, the article is returned, sometimes without any explanation whatever.

4. The customer whose husband is a manufacturer in the same line of business, and who wishes to copy the design for his own use.

5. The customer who cannot make up her own mind as to her selection. In Mr. Waterford's opinion this type of customer should be educated by the salesperson to make a positive decision at the time of the purchase.

Time Limits.—It is important to have a definite time limit beyond which returns will not be accepted except in special cases. In New York it is the general practice to allow a seven-day limit with which charge or other customers may return merchandise for good cause. If the merchandise is returned within the specified period, the store refunds, or what is equivalent to it, allows credit to a charge customer for the full purchase price, irrespective of whether the price of the article has been reduced since the purchase or not.

According to law, a store would be obliged to refund or give credit for the full purchase price if the store agreed to accept the merchandise back. Since every sale is a contract voluntarily entered into between the customer and the store, the acceptance of returned merchandise by a store is, in effect, a

rescission of that contract. Therefore, the law holds that when a contract has been rescinded, the parties to the said contract must return to the original status that they were in before entering into the agreement. This, in effect, means that the store must get its merchandise back in good condition, and the customer must get back what she paid.

If a customer desires to return goods after the seven-day limit, then it is entirely up to the store's discretion: first, whether the merchandise shall be taken back at all, and, second, whether the original purchase price is to be returned or the reduced price if there has been a reduction. In such a case stores usually refund or give credit for the reduced price, since the customer has forfeited her rights to return the goods.

As said before, allowance must be made for special cases. Rules should be stretched to suit the individual case. If an especially good charge customer has bought a suite of furniture for $500, and two or three days later the store reduces the price to $400, it is reasonable to believe that the customer is going to protest. In such a case it might be excellent policy to allow $100 credit.

Local Agreements.—When commodity prices were at high peak during and directly after the war, many cities took concerted action towards regulating the return of merchandise. In Cleveland, the Retail Merchants' Board of the local Chamber of Commerce published a series of advertisements giving information as to the use and abuse of the returned merchandise privilege.

In view of the satisfactory results obtained from this and similar campaigns, it is somewhat surprising to note that the pressure of competition undid much of the valuable progress made at that time. Action by local retailers and the adoption of a uniform policy will go far towards reducing returns to a nominal figure, as has been proved by past experience.

Rules for Returns.—There are certain rules which are common to the majority of cases where returns are regulated. The time limit has already been discussed. Seven days, however, is not a universal application. Some cities limit returns to three and even two days, while St. Louis retailers have agreed to accept no returns whatsoever.

As a general rule no articles will be accepted for return unless they are substantially in their original condition; neither will merchandise of any kind which has been used or worn be accepted for return unless defects are not as represented.

A salescheck should accompany all returned merchandise. In cases where there is no salescheck, the customer must be sent to the adjustment bureau.

Certain articles may not be returned for legal or sanitary reasons. The following notice sent to customers by Mandel Brothers of Chicago is typical:

TO OUR PATRONS

In compliance with an order received from Dr. John Dill Robertson, Commissioner of Health, we must, on and after Feb. 15, 1921, decline to accept for return or exchange:

Druggists' Sundries, such as Rubber Goods, Brushes, Combs, Cosmetics and Soaps of all kinds.

Sanitary Couches and *Bedding* of all kinds.

Toys, Dolls and *Baby Carriages.*

Men's, Women's, Children's and Infants' Hosiery and Underwear of all kinds.

Night Gowns and Pajamas.

Women's Neckwear and Veilings.

Exceptions to the above mentioned lines of apparel will be made only when the merchandise shows defects, or the wrong size or color has been selected, in which case such goods, if in a salable and thoroughly sanitary condition, may be accepted for return or exchange, when returned within a reasonable length of time.

No article of wearing apparel that shows any evidence of wear may be accepted for return or exchange.

We ask our patrons to make their selections with great care, bringing children to the store to be fitted, and to take such action as may be necessary to minimize the return of all kinds of merchandise.

We are confident that, owing to the importance of this matter, our patrons will cooperate with us in helping to maintain Chicago the most healthful city in the world.

MANDEL BROTHERS.

Feb. 15, 1921.

Gifts of all kinds, Christmas, wedding, birthday, etc., if returned, will be accepted only in exchange for other merchandise.

Goods cut from the piece at the request of the customer and returned through no fault of the merchandise, are returnable,

according to one ruling, with the following losses to the customer: In silks, wool dress goods, and wash dress goods, single width, loss of one-half yard on piece of less than three and one-half yards in length, and a loss of one-quarter yard on a piece of three and one-half to six yards in length. In silks, wool dress goods, and wash dress goods, double width, a loss of one-half yard on a piece of less than two and one-half yards in length; a loss of one-quarter yard on a piece of two and one-half yards to six yards in length. For cotton, linen, upholstery, laces, dress trimmings, and ribbons on a length of two yards or less there is a loss of one-half yard.

Where a non-detachable tag is used on articles bought with the privilege of returning, if the tag has been removed the article will not be accepted for return. This rule is strictly adhered to. A non-detachable tag is placed on articles by means of a seal which must be broken to remove the tag. Expensive evening gowns, trimmed hats, oriental rugs, and other articles of value are often tagged in this manner.

In Worcester, Massachusetts, customers in the habit of returning merchandise, and makers of unjust claims, are to be reported to the Credit Reporting Bureau of the Worcester Chamber of Commerce and the Advisory Committee of the Credit Reporting Bureau to take such action as they may think proper in regard to closing the account. Each signer of the rules agrees to report quarterly the names of customers who during that period have returned 33⅓ per cent or more of all goods purchased.

Returns on Will-call Purchases.—Refunding money on "will-call" purchases requires the exercise of considerable judgment. Most stores pursue a very liberal policy. In every case where the merchandise has not been damaged or its salability decreased by being held for the customer they return the deposit.

In case an alteration has been made on the goods, the best procedure is to obtain as large a deposit as possible. Then after the alteration has been made, if the customer changes her mind, it is necessary for a fair decision to be made, depending on the particular case. If the garment cannot be sold very easily to somebody else on account of the alteration, the

practice usually is to keep the entire deposit. If, however, the garment may still be sold to somebody else without much difficulty, it is best to take out of the deposit as much as the alteration has cost and refund the rest to the customer.

In the case of furs or other merchandise which may be damaged by being held over a long period, or the salability of which may be decreased on account of its passing out of style, it is best to get a fairly large deposit, certainly not less than 25 per cent, and to have the customer set a date when she will call for the goods. If she does not call on that date, she should be sent notice to call shortly and pay the balance or the garment will be put back in stock and the deposit refunded to her. Sixty days is the usual limit.

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